H.R. 103 AND CONTRACT AUTHORITY IN PUERTO RICO AND THE VIRGIN ISLANDS

HEARING

BEFORE THE

SUBCOMMITTEE ON
HOSPITALS AND HEALTH CARE

OF THE

COMMITTEE ON VETERANS' AFFAIRS
HOUSE OF REPRESENTATIVES

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H.R. 103 AND CONTRACT AUTHORITY IN PUERTO RICO AND THE VIRGIN ISLANDS

WEDNESDAY, FEBRUARY 16, 1983

House of Representatives,
Committee on Veterans' Affairs,
Subcommittee on Hospitals and Health Care,
Washington, D.C.

The subcommittee met, pursuant to call, at 9:40 a.m., in room 324, Cannon House Office Building, Hon. Bob Edgar (chairman of the subcommittee) presiding.

Present: Representatives Edgar, Mica, Evans, Kaptur, Penny, Rowland, Slattery, Richardson, Hammerschmidt, Bilirakis, and Johnson.

OPENING STATEMENT OF CHAIRMAN EDGAR

Mr. Edgar. The Subcommittee on Hospitals and Health Care will come to order.

This morning we are opening the subcommittee's agenda of legislative and oversight activities for the 98th Congress. We plan to conduct a legislative hearing on the level of payment of per diem to State homes for domiciliary, nursing home, and hospital care. These rates are established by section 641(a) of title 38, United States Code. The rates currently in effect are $6.35 for domiciliary care, $12.10 for nursing home care, and $13.25 for hospital care, and they have been in effect since December 1979. The per diem payments were provided for by Public Law 96-151 and became effective on January 1, 1980.

The Veterans' Administration is authorized to participate in two programs conducted by State extended care facilities. The first is the per diem rates as I have just discussed. The second is a grant program for the construction, alteration, and modernization of State extended care facilities under subchapter 3 of chapter 81 of title 38.

This authorizes the VA to make grants to the various States for up to 65 percent of the cost of such projects and authorizes the appropriation of such sums as may be necessary through fiscal year 1986.

This has been one of, if not the most, cost-effective programs for the delivery of health services to eligible veterans. The subcommittee is beginning to receive complaints from the several States on the level of per diem paid to them for eligible veterans in the State extended care facilities. This pressure will undoubtedly build as the impact of the recession deepens, medical demands increase, and revenue continues to be in short supply.

The Committee on Veterans' Affairs has worked very closely with the several States and the National Association of State Veterans Homes in providing quality care through these facilities. This morning we will hear from that organization, as well as from the Veterans' Administration, on this subject. H.R. 103 has been introduced at the request of the National Association of State Veterans Homes to raise the per diem rates to $9.50, $16.50, and $18.50, respectively. A copy of this bill is before each of you.[1]

We will also conduct an oversight hearing on the provision of health care to eligible veterans in the Commonwealth of Puerto Rico and the Virgin Islands. At the present time, the Administrator of Veterans' Affairs is authorized to provide care in these jurisdictions on a contract or fee basis in excess of that provided for veterans within the 48 contiguous States. This authorization is in section 601, title 38, United States Code, and it will expire on September 30, 1983. It has caused us much concern in the past for a variety of reasons, including the quality of care veterans receive in contract facilities, particularly in the Commonwealth of Puerto Rico. In June 1982, a committee staff member visited these contract facilities in Puerto Rico. As a result, in a joint explanatory statement on the passage of Public Law 97-251, the House and Senate Veterans' Affairs Committees directed the VA to prepare a comprehensive plan for providing appropriate and cost-effective health care to these veterans and, to the extent that new construction was involved, to prepare the needed projects or projects for inclusion in the President's budget.

This study was due on December 1, 1982. It was finally received on January 20, 1983. Both the cover letter from the Administrator which accompanied the study and the executive summary of the study state that it does not constitute a request for funding or any other legislative action. It further states—and I quote—"Nor does it necessarily represent the views of the agency or of the administration."

We know this statement emanates from the Office of Management and Budget. We could simply ignore the fact that the present authority to contract for such care in both of these jurisdictions expires on September 30, 1983, and do nothing. The veterans of Puerto Rico and the Virgin Islands would suffer an undue hardship if we were to do this. It is my impression that doing nothing would be consistent with what the VA and the OMB would like to see done.

We will call witnesses, including the VA, to learn more on this subject, and hopefully we will arrive at some permanent solution for providing health care to eligible veterans in both of these areas. The VA is currently spending an estimated $17-$20 million per year for the contract and fee basis care of these veterans.

Based on this annual cost and the estimates in the January 20th report, the cost of constructing VA facilities in the Commonwealth of Puerto Rico would be amortized in a 5- to 6-year period. It does not make sense to continue to pour these sums of money into the delivery of unsatisfactory health services when it could be accomplished in a more cost-effective way and at the same time raise the quality and quantity of the services delivered extensively.

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[1] See p. 39.

At this moment I would like to yield to our ranking minority member, John Paul Hammerschmidt. But, before yielding to him, let me say I am really pleased, not only to become the chairman of this subcommittee, but to have John Paul as the ranking Republican. John Paul and I happen to serve on the same two committees, on Public Works and Transportation and Veterans' Affairs. He has had to put up with a lot over the last 8 years, and over all that we have been through together, we have remained friends. I really appreciate his leadership on the Republican side.

STATEMENT OF HON. JOHN PAUL HAMMERSCHMIDT, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ARKANSAS

Mr. **HAMMERSCHMIDT**. Thank you, Mr. Chairman.

First, for the record, may I congratulate you on assuming the chairmanship of the Subcommittee on Hospitals and Health Care. It is a most important subcommittee and one that has always had a rather heavy agenda.

I note, Mr. Chairman, that you have laid out an extensive hearing schedule for us on a number of very important subjects. I want to thank you for discussing the schedule with me. I want you to know the Members on our side of the aisle will do all that we can to cooperate with you to the end that our subcommittee's work can be effectively accomplished.

Mr. Chairman, we meet again here this morning on matters that have previously been before us. I want to say for the record that, in my opinion, the ongoing partnership the VA has with the States with respect to State homes for veterans is an excellent partnership. It serves a great need and an increasing need. It is cost effective. It is an excellent example of good Federal/State relationships.

Today we will hear testimony as to whether or not the per diem rates being paid to these State homes is sufficient for the domiciliary, nursing and hospital care which they provide. It is proposed by H.R. 103 that these rates be increased by varying amounts, not to exceed one-half the cost of the care provided.

Mr. Chairman, I will be interested this morning in hearing our witnesses on this subject. These rates have not been increased in some time, while every aspect of medical care cost has been increasing. In a time of great budget restraint, it is difficult to place priorities in proper order, but I certainly feel that these State homes do a good job and provide a much-needed service, and I want to see them treated fairly.

With respect to the other aspect of our hearing this morning, Mr. Chairman, we have had a long and abiding interest in providing proper medical care for the veterans of Puerto Rico and the Virgin Islands. Our contract situation there supplements the care given by the VA. However, I believe the evidence is clear that the quality of such contract care does not meet the standard that we would desire.

Mr. Chairman, the VA study which we mandated last year is now before us. It suggests the VA health care in Puerto Rico be provided in VA facilities, that contract care be discontinued, and that fees for service outpatient care in the Virgin Islands be continued. However, as you stated in your opening statement, Mr. Chairman, the transmittal letter which accompanied the report put a disclaimer on it, which means to me, as it does to you, that OMB probably had not cleared the report, or that VA had not been able to work the construction aspect of it into its budget plans.

Mr. Chairman, there probably is no real alternative to extending contract authority in Puerto Rico while construction of a new wing at the VA hospital commences and progresses. I trust that the VA witnesses will discuss this subject this morning. If, in fact, Mr. Chairman, the new wing and an increase in beds will result in long-term savings in Puerto Rico, while providing a higher quality of medical care, I would hope that the VA and the administration would move expeditiously in that direction.

Thank you, Mr. Chairman.

Mr. **Edgar**. Thank you very much, Mr. Hammerschmidt.

Mr. **Edgar**. Our first witness today will be the Honorable Baltasar Corrada. We are pleased to have you with us today as our first witness of the year. Your whole statement will be made a part of the record and, if you could keep your opening statement within a 10-minute timeframe, that would be very helpful to us.

Thank you for coming.

STATEMENT OF HON. BALTASAR CORRADA, A DELEGATE IN CONGRESS FROM THE COMMONWEALTH OF PUERTO RICO

Mr. **Corrada**. Thank you, Mr. Chairman, members of the subcommittee. I truly appreciate the opportunity to testify before you today concerning a report rendered by the Veterans' Administration entitled "A Plan for the Delivery of Health Care to Veterans in Puerto Rico and the Virgin Islands".

Almost a year ago I appeared before this subcommittee to impress upon you the crucial need to review the VA health care delivery system on the island. The lack of VA medical facilities in Puerto Rico forced the VA to contract out services during the Roosevelt administration, at the time when we didn't have any VA facility there, and 40 years later the VA still depends on the private sector to provide medical attention to the thousands of eligible veterans in Puerto Rico. The VA Medical Center was inaugurated in 1969. That hospital currently provides 692 beds for direct VA medical care in Puerto Rico, of which 242 are psychiatric beds. However, the VA in Puerto Rico still contracts out approximately 550 contract beds with different hospitals in the community.

The arrangement prima facie seemed appropriate and conforming to need. Unfortunately, an in-depth look by GAO in 1978, triggered by the concerns voiced by veterans on the island, and later ratified by the VA, proved otherwise. Even though the overall medical care provided by general medicine and surgery contract hospitals appears to be satisfactory, the quality of psychiatric care in contract hospitals, including sanitation, safety, and physical facilities, were found to be below the standards of the VA in some instances and totally inadequate in others. The present facilities of the VA on the island, even though adequate, are limited and, to this date and age, are unable to absorb the additional workload.

The House and Senate Committees on Veterans' Affairs, moved by the unfair and unwarranted situation being confronted by many needy veterans in Puerto Rico, responded in a sensible and responsible fashion, requesting from the VA last year a comprehensive plan to remedy the deficiencies of the VA health care system on the island.

The committees consider it imperative that the VA take immediate steps to develop a comprehensive plan for providing such care and, to the extent that new construction is involved, prepare the needed project or projects for inclusion in the President's budget.

Mr. Chairman, the committees' language above cited, which is part of the joint explanatory statement on the passage of Public Law 97-251, clearly captures the congressional intent on this matter.

In addition, the congressional mandate that gave way to the VA report, which is the subject of this hearing, is also clear and very specific. Notwithstanding these facts, and the urgent need to develop a definite course of action leading to the offering by the VA of adequate medical attention to every ailing eligible veteran in Puerto Rico, the VA presented a plan which is not a recommendation, does not necessarily contain the views of the VA or the administration, and which is not a request for funding or for any other legislative action. Mr. Chairman, I am deeply disappointed and concerned about these statements.

The VA, disregarding the suffering of many men and women in Puerto Rico who are receiving inadequate medical attention, disclaims responsibility for this study which was prepared precisely by a selected group of highly qualified and experienced VA personnel. How much longer will the health care needs of the veterans in Puerto Rico fall victim to the abdication of responsibility by those who have that responsibility?

Now the VA is not only reluctant to recommend a remedial course of action for the VA health care system in Puerto Rico, but it also fails to endorse the assessment of health care needs included in the report, which are nothing more than a reconfirmation of previous findings by the VA.

To say the least, it is only fair play that the veterans in Puerto Rico should receive the same quality of medical attention accorded to veterans in the U.S. mainland. Their efforts and sacrifices on behalf of our democracy and freedom were no different. More than 270,000 Puerto Ricans have served in the Armed Forces of our country since 1917, when we became citizens of this Nation. Thousands of Puerto Ricans have died or have been wounded in U.S. wars. Their deeds were highlighted during the Korean war, where the death and casualty rates among Puerto Ricans would rank us third among all States and territories in proportion to our population, in terms of numbers of casualties. Their human contributions surpass any possible retribution and we Puerto Ricans, as American citizens, are always willing to serve gallantly and to prove our loyalty to the United States. Our Nation has endured thanks to men like these, and proper medical attention is the least a good soldier deserves.

I will not go into the specifics of the report which you have seen, for I believe it is academic to do so before a definite stand on this matter is taken by the VA. Nevertheless, I would like to point out that, under the circumstances, we do not have sufficient, adequate VA medical facilities in Puerto Rico and it becomes imperative, and I would hope that this committee and the Congress would do so, to extend the period to contract out, which will expire September 30, 1983, for a further period of time until such time as the VA is able to provide directly, by expanding its medical facilities in Puerto rico, the services deserved by our veterans.

In addition, given the undisputed reality portrayed by numerous studies, including those prepared by VA personnel, that additional facilities must be placed at the disposal of the VA center in Puerto Rico to enable it to fully carry out its responsibilities on the island, we must focus on construction alternatives early on in this Congress if quality health care is to be available for every need eligible veterans in Puerto Rico by the end of this decade.

I urge this subcommittee to use its wisdom in securing proper medical attention to our veterans in Puerto Rico, not only for humanitarian reasons, but also because these brave and loyal servants have rightfully earned it.

Thank you, Mr. Chairman.

[The prepared statement of Hon. Baltasar appears on p. 43.]

Mr. Edgar. Thank you very much for your important statement, and also thank you for joining me on the House floor to discuss the report. I share what you state on page 2 of your statement, the deep disappointment and concern that would be submitted at our request to Congress, a bit late, and then have a disclaimer both in the executive summary and in the cover letter. It was very troubling.

I think, as a result of your work, I can assure you that we have the attention of the administration. At least partially some of our concern will be dealt with. Yesterday we received a letter from the Veterans' Administration informing us that they are now prepared to request a 3-year extension of the contracting care provisions for health care in both Puerto Rico and the Virgin Islands. While that does not accelerate the construction of facilities to provide for the ongoing quality of care, it is a good first step and a good sign that the VA is willing to provide for a solution. Up to yesterday we had no real hope that the Administration would be supportive of an extension of that service. I think you are to be congratulated for keeping the heat and the fire under both the VA and OMB in recommending that we extend the contract out services for an additional 3 years.

Are there additional questions that the members have? John Paul?

Mr. Hammerschmidt. Mr. Chairman, I don't have any questions, but I want to thank Baltasar for his fine statement. As you know, this committee shares many of your concerns. It is the purpose of the hearing. We appreciate your being here.

Mr. Edgar. Are there other questions from members?

Mr. Richardson. Mr. Chairman, I would like to associate myself with the remarks made by Mr. Corrada. It seems to me that where we have two kinds of different systems, treatment of veterans in this country and treatment of veterans in Puerto Rico, I would hope that if there is anything we can do to have the VA come up with a comprehensible, defensible plan, I wonder what steps we might take to do this. This contract seems to be a step in the right direction, but I wonder, Mr. Chairman, what the subcommittee could do to correct this.

It seems to me this is a gross inequity and I would just like to associate myself with the remarks made by Mr. Corrada.

Mr. EDGAR. I share those comments. To answer your question, we will have the VA up in a few moments and we will be able to question them further.

Yesterday, in conversation with me, the VA Administrator, stated that construction design plans could begin in 1986. That was an informal, off-the-record statement that we could look at the possibility of accelerating that. My fear is that if we wait until 1986 to see any construction of real facilities, we're really talking about a longer extension of the present system. I share your concern.

Mr. BILIRAKIS. Mr. Chairman, just a point of clarification, I guess, for me.

You referred, Mr. Corrada, to 600-and-some beds. Are those beds under contract?

Mr. CORRADA. No. The total number of beds in the VA medical center, is 692, of which approximately 240 are psychiatric beds. The rest are general medicine and surgery and other types of beds.

The most serious problem that exists in Puerto Rico is medical care for veterans needing psychiatric care. Currently, the average daily census of needs for out-of-VA-hospital psychiatric care is approximately 550. That means this additional 550 patients have to be provided services outside the VA medical center.

Mr. BILIRAKIS. Those are the services being contracted for?

Mr. CORRADA. Yes.

Mr. BILIRAKIS. So what we are saying is—and forgive my ignorance, but being brand new on the subcommittee and in Congress—the bottom line is there is a veterans facility in Puerto Rico but there are not adequate beds particularly for psychiatric purposes?

Mr. CORRADA. Yes. That facility is absolutely insufficent, thus requiring the Veterans' Administration to contract out with other hospitals in the community for services for these veterans. But the GAO report shows that the services being provided through these contracts is below the standards that are provided by the VA medical center in Puerto Rico and which veterans are expected to receive.

Mr. BILIRAKIS. Thank you, sir.

Mr. CORRADA. Mr. Chairman, I would like to express, of course, my appreciation for your words, as well as those of our good friend, John Paul Hammerschmidt, and other members of the subcommittee.

I am certainly pleased by the fact that the administration has announced yesterday they will support in Congress a 3-year extension of the contracting out provisions through September 30, 1986. But again, I would like to remind you and the members of the subcommittee that we should not allow that extension again to be a reason to put off facing the real issue that we are facing here, and that is the need to expand those facilities so that you will not find yourselves in a situation come September 30, 1986, of having to further extend that period and no progress has been made in resolving the critical situation being confronted by our veterans on the island.

Mr. EDGAR. Your point is well taken. I think all members of our subcommittee understand clearly what you have said. I thank you for your testimony.

If there are no other questions, we will move to our next witness. Thank you very much.

Mr. CORRADA. Thank you.

Mr. EDGAR. Our next witness will be Hon. Harold Sawyer, who will be introducing the president of the National Association of State Veterans Homes. Mr. Sawyer, Mr. Traill and others, please come forward.

Mr. HAMMERSCHMIDT. Mr. Chairman, while the witnesses are getting seated, I might tell our newer members that Hal Sawyer sat right over on this side on the committee for a long time. He was one of our great members and we miss him from this committee.

Mr. EDGAR. Hal, it is a pleasure to have you here. You and I served together on the Select Committee on Assassinations many, many years ago, and also on the Veterans' Affairs Committee. We appreciate your taking the time this morning. We apologize for the delay in our hearing schedule because of our executive session. Please proceed.

STATEMENT OF HON. HAROLD SAWYER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MICHIGAN

Mr. SAWYER. Thank you, Mr. Chairman. It is a pleasure to be here. As was said, I spent 6 years on the committee here. Unfortunately, you can only be on so many committees, and there was a vacancy that occurred on one that I had some regional obligation to be on, so I had to give this one up to get on that one. They don't allow our side of the aisle that many slots on that many committees, so we have to kind of parcel them around.

My district is the Fifth District of Michigan, of course, including the whole metropolitan area of Grand Rapids. We have the third largest State veterans' facility in the United States in Grand Rapids, the Michigan veterans facility. It is located on the north edge of town, in a parklike setting, with trees, with a park between it and the banks of the Grand River, which is one of the finest, if not the finest, salmon and anadromous trout streams in the United States. So it is very well situated.

It is an old facility. It was built in 1885. It has 763 beds and provides both domiciliary and nursing care. It has a smaller satellite facility up in the Upper Peninsula at Marquette, Mich. with some 50 beds. Presently in the Grand Rapids facility we have 132 veterans of World War I, 460 veterans of World War II, and 56 of the Korean war, and about 12 already of the Vietnam war. So it is an ongoing facility.

I have the privilege here of introducing Fred Traill, who has been the commandant of the facility for some 4 years, having had prior experience in running other State agencies and now the president of the National Association of State Veterans Homes.

I may say that I am in strong support of the position taken, particularly in the State of Michigan. As you know, up until California's rather startling announcement yesterday, we were the darkest star in the Union as far as our economy goes. I guess we still are, except we aren't giving IOU's yet. But we have the lowest credit rating now of all 50 States and are on a credit watch. Jim Blanchard, who I am sure most of you know, one of our colleagues here, has just taken over as the new Governor of the State. I talked with Jim just the other day. They are facing between an $800 and $900 million deficit this year, on about a $4 billion budget, so you get some impression of the impact. And we are mandated by the constitution not to have a deficit. So he is looking at some $300 million of further cuts after $700 million last year, and an increase of some 1.6 percent in the State income tax to try and pull in the missing $900 million this year.

As a matter of fact, just to show you how bad the situation is in Michigan, if he were to lay off the entire payroll of the State of Michigan—that's all of our State troopers, all of our prison guards, all of our higher education and all of our various public service, welfare and whatnot, people—that would only save $400 million for the rest of the year of the $900 million he has got to come up with. As bad as we might think our coffers are, at least we have unlimited credit, which is more than we can say for the State of Michigan, who recently had to be bailed out by the Japanese Government with some loans to try and survive, since we can no longer borrow on the borrowing markets at liveable rates of interest.

So, gentlemen, it is my pleasure to introduce Mr. Traill, and any help you can give him I am sure the State of Michigan will appreciate.

Mr. **Edgar**. Thank you very much, Hal.

Mr. Traill, we are pleased that you are here with us today, and we hope that you will introduce your associates who are also with you.

Because of the constraint of the committee's responsibility this morning, it would be helpful if we could keep your statement within a relatively brief period of time, perhaps 10 minutes.

STATEMENT OF FRED TRAILL, PRESIDENT, NATIONAL ASSOCIATION OF STATE VETERANS HOMES, JACK J. DACK, CHAIRMAN, LEGISLATIVE COMMITTEE, NATIONAL ASSOCIATION OF STATE VETERANS HOMES AND COMMANDANT, IOWA VETERANS HOME, MARSHALLTOWN, IOWA, ACCOMPANIED BY EDWARD J. WHITE, BUDGET ANALYST, IOWA VETERANS HOME

Mr. **Traill**. Mr. Chairman, I thank you for the opportunity of being here. I will not go into much, other than to say that we feel this State home program is very worthwhile and one that this committee should take a serious look at.

Our testimony today will be presented by the legislative chairman, Mr. Jack Dack of Iowa, whom I will turn it over to immediately.

Mr. **Edgar**. Mr. Dack, would you also introduce the gentleman who is with you there?

Mr. **Dack**. This is Mr. White on my left, who is the budget analyst at the Iowa Veterans Home and serves as a backup man for the National Association in bringing together information.

Mr. **Edgar**. Thank you. Welcome to our committee today. Again, your full statement will be made part of the record.

STATEMENT OF JACK J. DACK

Mr. **Dack**. Mr. Chairman, distinguished members of the House Veterans' Affairs Committee, the National Association of State Veterans Homes appreciate this privilege to appear before the Subcommittee on Hospitals and Health Care to express its support of the need for enactment of H.R. 103, to amend title 38 of the United States Code.

You have met Mr. Traill and Mr. White, the other members who accompany me today are Mr. Harry Warren from Nebraska and Mr. Jerry Stewart and Mr. Gene Copenhaver from Oklahoma.

The National Association of State Veterans Homes has submitted written testimony to the committee stating the rationale behind the association's support of H.R. 103.

The State veterans home program is the second largest provider of health care services for veterans. This program has grown from 11 homes in 11 States in 1888 to 50 homes in 34 States and the District of Columbia today. Nursing home care is provided in 38 homes, domiciliary care in 42 homes, and hospital care in only 7 homes. These homes have approximately 17,000 operating beds, and in fiscal year 1982 provided more than 4 million days of care to veterans.

Your General Accounting Office has twice identified, as a result of its review of the State veterans' home program, that State veterans homes are a cost-effective alternative to providing care in Veterans' Administration facilities, and generally, the Veterans Administration's least expensive option.

In September 1981, the then Administrator of Veterans' Affairs, in correspondence with the legislative chairman of the National Association of State Veterans Homes, acknowledged that it has long been recognized that the State home program is a high-quality, cost-effective alternative to the provision of extended care in the facilities of the Veterans' Administration, and that the Veterans' Administration anticipates continued growth in this program to help meet the future demands for extended care of the aging veteran population.

Since 1970, the Veterans' Administration per diem reimbursement share of the total cost of the State home program has ranged from 35.3 percent in fiscal year 1970 to a low of 20.3 percent in fiscal year 1982. In the past few years, this participation has been continually dropping. Much discussion has evolved around what is the appropriate level of the Veterans' Administration's fair share participation. References from the 94th Congress in its report on per diem rate increases stated that the anticipated increase would keep the Federal proportionate share of operating costs at levels consistent with the average Federal proportionate share during the past 5 years, approximately 30 percent.

Today, this is not so. The Veterans' Administration per diem reimbursement is at the lowest participation since fiscal year 1970.

H.R. 103 is designed to close the gap between the existing Veterans' Administration percentage of participation of costs and the congressionally identified target of approximately 30 percent, and to provide a review mechanism which may serve to prevent a reoccurrence of the erosion of Veterans' Administration support.

It is generally acknowledged that the cost of providing health care is inflating at an accelerated rate. Additionally compounding the problem of the increasing cost of providing health care services in the State home program are the Veterans Administration's regulatory revisions of standards for care, begun in 1979, intended to enhance the quality of such care for veterans. We agree that our veterans deserve high quality care, but we respectively submit that enhancing standards must be supported by increased reimbursements.

There is a huge body of World War II veterans, the largest single group this country has ever known, who are reaching an age at which increasing demands will be made on every type of Veterans' Administration and State veterans home facilities during the next 10 years. It will be most difficult, if not impossible, for most of the States to meet these demands without increased financial assistance. The enactment of H.R. 103 provides this support.

Thank you, Mr. Chairman, for your attention, concern and interest in the State veterans home program and its continuing effort to provide a cost-effective, high quality health care program for the nation's elderly veterans.

[The statement of Jack J. Dack appears at p. 49.]

Mr. Edgar. Thank you very much for your statement. I do have several specific questions for you.

On page 4 of your more formal statement there is a very helpful chart which lists out from 1970 to 1982 the percent of VA's share of the total cost for the State home program. According to these figures, the Federal Government's shares have dropped from 35.3 percent in 1970 to 20.3 percent in 1980.

What are the primary factors which have brought about this change? Is it only that the per diem rates have not been regularly increased, or is it because the cost of care and the demand for those services has increased, or is it a combination of both?

Mr. Dack. I would say, Mr. Chairman, that it is a combination of both. However, the most influencing factor is the accelerated cost of care.

Then another issue that comes into play are the demands of the residents in their care needs. For example, the State federally-subsidized programs that have kept veterans in their homes, who have marginal health care problems, there is a backlash now. These people, when they can no longer stay in their homes, and need care and go to the Veterans' Administration, and then come to us, are really more infirmed and debilitated, so they are requiring a wide range of intensive health care services which are indicated, for example, in our per diem cost—for example, in hospital care.

If you would note, I believe intermediate hospital care last year in the VA was about $106 a day. Our care in the State home program, which is correlated with that level, is $122. So we are really feeling the pinch of the demands of the residents, which accelerates the costs. But again, the lack of a review mechanism, in looking at this program on a systematic basis, allows us to get farther behind all the time.

Mr. **Edgar**. I will save my additional questions until the end because I know there are members who have questions they would like to raise.

Mr. Hammerschmidt.

Mr. **Hammerschmidt**. I want to thank you for a very fine statement.

Do you take in wives?

Mr. **Dack**. Yes, we do, sir.

Mr. **Hammerschmidt**. The VA doesn't participate in that, does it?

Mr. **Dack**. No, they do not. But the VA allows up to 25 percent for nonveterans in a State veterans' home. However, in Iowa, we only maintain 15 percent because—we have to face it; the ladies outlive us by 8 years. It will back up on you and deprive a veteran of a bed in the hospital area.

Mr. **Hammerschmidt**. Do you charge the veteran anything?

Mr. **Dack**. Yes, we do, based on their income and their assets. In a survey of the State home program, just finished, we are still finding that the States are paying over 50 percent of the cost of care in State veterans' homes.

Mr. **Hammerschmidt**. Thank you.

Thank you, Mr. Chairman.

Mr. **Edgar**. Are there additional questions that members have? Let me ask a few specific questions.

By 1990, more than one-half of all the American men over the age of 65 will be veterans. Certainly analyzing the testimony presented before this subcommittee in recent years, the VA alone is going to be hard-pressed to meet the nursing care and extended care needs of the aging veteran population.

What do you anticipate will be the impact of this health care demand on the State veterans' home system?

Mr. **Dack**. Mr. Chairman, without additional relief, I have a feeling that it is going to fall upon the Veterans' Administration to provide that care, because it is surfacing in many States, that this is a Federal responsibility. I would say that it is going to be more difficult for the States to provide this care or assist in providing this care because of that attitude.

Mr. **Edgar**. Without additional reimbursement.

Mr. **Dack**. That's right. I think additional reimbursement will have a tendency to maintain this sharing relationship.

Mr. **Edgar**. Can you compare the cost of care in a State home for veterans versus providing care in a private nursing home or a nonveteran in a private sector home?

Mr. **Dack**. Yes. The average cost of care in the State veterans' home program—I have it here. It was $122 in hospital care, $55 in the nursing care, and it was—Ed, do you have that?

Mr. **Edgar**. I would be pleased if you would provide that to the committee.

One final question that I have which might be helpful for the record as well. What is the cost per bed to construct a State home versus what the VA pays to construct a VA nursing home facility?

Mr. DACK. Mr. Chairman, all I can do is answer from the State of Iowa. We just finished building a 180-bed facility for $7.7 million, which cost $42,605 a bed. Then we had a 360-bed facility constructed in 1978, and that the cost was $34,861 a bed.

I do have those costs here for you, if you would like them.

Mr. EDGAR. OK.

Mr. DACK. The per diem cost in the State home program was $32.38 for domiciliary, $55.64 for nursing, and $122.34 for the hospital-type care. The community contract nursing home program I believe last year averaged a little over $46 a day.

Mr. EDGAR. Thank you very much.

Mr. Rowland?

Mr. ROWLAND. Mr. Chairman, I apologize for my ignorance, but I want to be sure that I understand what a State veterans home is.

I know in the State of Georgia, at the Central State Hospital there, we have the Pete Wheeler Home, that I believe we consider a State veterans home. I would like a definition of that, if you would.

Mr. EDGAR. Let me yield to our counsel to define the definition of a State home.

Mr. CASTEEL. I believe in the State of Georgia that is one, at Milledgeville, and I think they have another one at Augusta. Those are State veterans homes that do participate in the VA program. The VA participates through this grant program to construct, alter or rehabilitate them, plus they participate in this reimbursement on a per diem basis to those two State homes.

Mr. ROWLAND. Thank you.

Mr. EDGAR. There being no other questions, let me thank you for your time and energies in putting your statement together. We appreciate your leadership in this area and we will pursue this over the next few weeks and months and hopefully we can help you maintain the level and quality of care that you have provided over the years.

Mr. DACK. Thank you, Mr. Chairman.

Mr. EDGAR. Our next witness will be Mr. Gabriel Brinsky, national service and legislative director of AMVETS. Good morning. Welcome to our committee.

We do have a number of witnesses from the service organizations, you being the first. We have had a chance to review your testimony. The full text of your testimony will be placed in the record. It would be very helpful to us if you could consolidate and summarize the important points of your statement. We want you to know, as we begin these hearings, that throughout the course of the aggressive schedule that we have this year, we look forward to hearing from the AMVETS on each of the provisions of law that we will be covering.

STATEMENT OF GABRIEL P. BRINSKY, NATIONAL SERVICE AND LEGISLATIVE DIRECTOR, AMVETS

Mr. BRINSKY. Thank you.

AMVETS feels privileged to appear before this subcommittee to set forth its views concerning H.R. 103 which would amend title 38, United States Code, to increase the per diem rate payable by the

Veterans' Administration to States providing domiciliary, nursing homes, and hospital care to veterans in State homes.

The very capable organization of the National Association of State Veterans Homes has furnished this subcommittee with the necessary statistical data to support its position. I will not impose upon you by repeating this information. Our purpose is to express our complete agreement with the proposed legislation, H.R. 103. I request that my more detailed statement be incorporated with the records.

AMVETS feels that in appearing here we have a sympathetic ear. For I recall that when the national commander of AMVETS appeared before the full committee last year to present the AMVETS legislative goals, the distinguished chairman of the committee commented about his interest in this particular area.

Last December AMVETS testified before this subcommittee on the VA funding and construction program of its hospitals. At that time we commented, even though peripheral to the matter being considered by the committee, on the role being played by the State veterans homes. AMVETS has always taken the position that they are an indispensable part in the overall program of health care to our veterans.

The 34 States and the District of Columbia which furnish 50 State veterans homes providing domiciliary, nursing home or hospital care in their facilities, provide a vital and important link in the administration of a program that should be shared by both Federal and State. The Veterans' Administration relationship to these homes is established either by per diem programs which assist the States in providing care to eligible veterans, or by the program which provides assistance with the funding of construction of State veterans facilities.

The bill under consideration provides an increase in the per diem rates. There has not been an adjustment in the rates for 3 years, while the inflation process continued to extract its toll. Obviously, if we expect the States to participate in this program, it will be necessary for some assistance to be provided by the Federal Government. Failure to do so could mean a lesser role for the States in the participating partnership.

We are firmly convinced that the Federal Government should encourage the assistance of States to provide these facilities for the veterans who have served. We believe that the States should feel that it is a privilege to participate. And we believe that the Federal Government should assist them in performing this function by furnishing the necessary financial support without which aid the States could not carry on this important mission which they so desire to perform.

We urgently urge enactment of H.R. 103.

This, Mr. Chairman, concludes my statement.

[The statement of Gabriel Brinsky appears at p. 58.]

Mr. EDGAR. Thank you very much for your statement and for your support of the increase in per diem rates.

I have no specific questions for you at this time and I will yield to other members if they have questions.

Thank you very much.

Mr. BRINSKY. Thank you.

Mr. **Edgar**. Our next witness will be the associate deputy national legislative director of Disabled American Veterans, Mr. Stephen L. Edmiston.

Welcome to our subcommittee this morning. We appreciate your patience with us. Your full statement will be made a part of the record without objection. We invite you to summarize as you can.

STATEMENT OF STEPHEN L. EDMISTON, ASSOCIATE DEPUTY NATIONAL LEGISLATIVE DIRECTOR, DISABLED AMERICAN VETERANS

Mr. **Edmiston**. Thank you, Mr. Chairman.

I am pleased to be here this morning on behalf of the 740,000 members of the DAV to comment on H.R. 103 and the VA study entitled "A Plan for the Delivery of Health Care for Veterans in Puerto Rico and the Virgin Islands."

Without question, Mr. Chairman, over the last decade domiciliary, nursing home, and hospital care provided to this Nation's veterans by State veterans homes has been invaluable in terms of offsetting to some degree the severe losses suffered by the VA's health care system.

Given the current economic crisis in our Government today, and one that will probably continue for some time, programs such as cost sharing for domiciliary, nursing home, and hospital care for veterans in our State veterans homes serve two very important functions: one, to assist the Federal Government in offsetting the high cost of providing health care to our veterans, and two, to provide an avenue for States to share in meeting our Nation's obligation to veterans.

Therefore, the DAV would urge the subcommittee to give serious and favorable consideration to H.R. 103, or similar legislation, designed to provide an increase in the costs borne by the Veterans' Administration for the care and treatment of veterans in State veterans homes.

With respect to the VA report of medical care for veterans in Puerto Rico and the Virgin Islands, we, like you, Mr. Chairman, are distressed at the letter of transmittal and the executive summary that accompanied that report. We have no plan or recommendation to help resolve this problem, and we have not been mandated by our national membership on this issue.

However, we are mandated by our national constitution and bylaws to support, protect, and improve the benefits to service-connected disabled veterans. Therefore, the DAV would strongly urge the subcommittee to insure that adequate funding and staffing is provided for those service-connected disabled veterans in Puerto Rico and the Virgin Islands.

That concludes my statement, Mr. Chairman. Again, thank you for this opportunity to appear here this morning.

[The statement of Stephen L. Edmiston appears at p. 63.]

Mr. **Edgar**. Thank you for taking the time to prepare this statement and for being concise in your comments.

You made a very important statement about sharing the costs between the Federal and State governments for the State veterans home system. I think it should be underscored, from the two points that you made, that, one, the program assists the Federal Government in providing care at a lower cost, but also, two, by providing an avenue to the States to get involved and also helping their veterans within their States. This subcommittee is interested in understanding that relationship and seeing the value both for the Federal Government and the State governments. Your underscoring that point is very helpful.

I have no other specific questions or comments. Are there other members who would like to ask questions?

Thank you very much for your statement.

Mr. EDMISTON. Thank you, Mr. Chairman.

Mr. EDGAR. Our next person to testify will be Mr. Paul Egan, Deputy Director of the National Legislative Commission, the American Legion. Paul, I invite you to introduce the person with you and, again, it would be helpful if you would summarize your statements. Your full text will be made a part of the record, without objection.

STATEMENT OF PAUL S. EGAN, DEPUTY DIRECTOR, NATIONAL LEGISLATIVE COMMISSION, THE AMERICAN LEGION, ACCOMPANIED BY JOHN F. SOMMER, JR., DEPUTY DIRECTOR, NATIONAL VETERANS AFFAIRS AND REHABILITATION COMMISSION, THE AMERICAN LEGION

Mr. EGAN. Very well, Mr. Chairman.

Summarizing our statement this morning will be John Sommer, to my right, who is our Deputy Director of the National Veterans Affairs and Rehabilitation Commission. Before turning the microphone over to him, however, I would like to make a few remarks, very short remarks.

We note in the VA's testimony that they oppose a per diem rate increase at this time. We all know what the burgeoning problem of the aging veteran is, and is going to be, in a very short period of time. To amplify that, I would like to point out that the mortality rate of the World War II veteran is going to accelerate because of old age so rapidly that, in just 8 years, for the first time, Vietnam era veterans will outnumber World War II veterans.

Now, we certainly hope that the VA is planning on taking a macromedical approach to this problem rather than a micromedical approach. Therefore, we certainly support this per diem increase.

Mr. EDGAR. Thank you.

Mr. Sommer.

STATEMENT OF JOHN F. SOMMER, JR.

Mr. SOMMER. Mr. Chairman, members of the subcommittee, the American Legion appreciates the opportunity to address the two issues under consideration of the subcommittee during today's hearing. As Paul mentioned, we are certainly supportive of the increase in per diem rates payable to States for the care of veterans in State homes, as proposed in H.R. 103.

The American Legion has enjoyed a long association with those individuals who administer and operate State veterans homes, and we certainly commend them for the excellent manner in which they provide domiciliary, nursing home, and hospital care to disabled veterans, reducing the burden that otherwise would be borne by the Veterans' Administration.

The per diem rates were last increased under Public Law 96-151, with the increase being actually provided effective October 1, 1980. We feel the increased proposed in H.R. 103 is reasonable and fair, and we urge the subcommittee's favorable action on this legislation.

As to the VA's report on the delivery of health care to veterans in Puerto Rico and the Virgin Islands, it appears to the American Legion to be a well-thought-out assessment of the problems facing veterans and the VA, especially in Puerto Rico. The report also illustrates what we feel to be a carefully considered plan to address the problems which the Legion has been seriously concerned about for about 20 years.

Our field representatives have conducted three site visits to Puerto Rico since 1967. Our national commander, Al Keller, Jr., visited the VA Medical Center in San Juan and a contract facility just this past month, and was so appalled at the conditions that existed there that he has instructed our staff to schedule another site visit to Puerto Rico in the near future. Mr. Chairman, we would be more than happy to share the information that we receive with the subcommittee.

Mr. **Edgar**. That would be very helpful.

Mr. **Sommer**. As previously mentioned, the problems described in the VA's study are not new to the American Legion. These include lack of military hospitals with which to share space, a higher than normal VA facility utilization rate, and a great dependence on the ability of the private sector to furnish contract inpatient and fee basis outpatient care, over which either of these the VA has little control.

The American Legion believes that the implementation of the recommendations drafted by the VA task force would substantially improve the quality of health care provided the veterans in Puerto Rico and the Virgin Islands. We also feel that substantial cost savings would result from the increased VA control over the patient care. Our main concern now is what is going to happen to the plan. If the recommendations contained therein are to be effected, efforts on the part of Congress and the Veterans' Administration are necessary. The American Legion would urge that the required actions be taken to implement these provisions. The need has been documented and the improvements are long overdue.

Mr. Chairman, that concludes our summary. Again we appreciate the opportunity to be here this morning.

[The statement of John F. Sommer, Jr., appears at p. 70.]

Mr. **Edgar**. Thank you very much.

One of the reasons we switched the hearing witness list around a little bit this morning, to hear from the National Association of State Veterans Homes and from the service organizations, was to permit us to hear from you before the VA takes the witness stand, so that we can contrast those comments. Some of the comments you made this morning are very helpful to us and we will raise some questions with the VA concerning the issues that you put forward.

Mr. Egan?

Mr. **Egan**. We certainly appreciate the opportunity to appear before the VA. It is a heartening change.

Mr. **Edgar**. I can remember over the last couple of years in Education, Training and Employment, we always seemed to have the service organizations sitting on a panel, rushing through their statements. We are hopefully going to try to change that. It is sometimes difficult, given the load of witnesses and other committee appointments we must keep, but we will work very hard to occasionally change that position around. We thank you for your testimony this morning.

Are there other questions that members have? Thank you very much.

Next we will hear from Mr. Jim Magill, special assistant, national legislative service of the Veterans of Foreign Wars.

Mr. Magill, thank you for coming this morning. Without objection, your full statement will be made a part of the record. We invite you to summarize as you see fit.

STATEMENT OF JAMES N. MAGILL, SPECIAL ASSISTANT, NATIONAL LEGISLATIVE SERVICE, VETERANS OF FOREIGN WARS OF THE UNITED STATES

Mr. **Magill**. Thank you, Mr. Chairman, for the opportunity to present the views of the Veterans of Foreign Wars, with respect to increasing the per diem rate for State veterans homes, and the VA report on health care for veterans in Puerto Rico and the Virgin Islands.

We believe the State veterans homes play an important and crucial role in providing health care for our aging veteran population. We also believe this program is one of the most cost-effective programs in which the VA is involved.

The bill, H.R. 103, would increase these rates and help insure that State veterans homes will continue to provide this high-quality care. We, therefore, support the bill and encourage its passage.

With respect to the VA report on health care to veterans in Puerto Rico and the Virgin Islands, we are very disappointed the VA stated it will not seek funding or legislative action to correct this unsatisfactory situation. As stated last year before this very subcommittee, we supported expansion of the system which would help alleviate the problem. We thought the VA would also recognize this fact and accept the fact that action was needed and act accordingly. We find it ironic that in their report the VA offered suggestions and alternatives, pointed out how tragic the situation is, and yet claimed it was not their views. How long must we continue to pay millions of dollars a year on contract care in this area without, at the same time, having a firm plan to correct the problem?

This concludes my statement and I would be happy to respond to any questions you may have, Mr. Chairman.

[The statement of James N. Magill appears at p. 82.]

Mr. **Edgar**. Thank you very much, Mr. Magill. We appreciate your patience this morning and your summary of the statement. It is always important to get the views of the Veterans of Foreign Wars. I have no specific questions for you.

Are there questions that others have? Thank you very much for your testimony.

Mr. **Magill.** Thank you, sir.

Mr. **Edgar.** We will now ask the Veterans' Administration to come forward and take the table. We will be hearing from Hon. Everett Alvarez, Jr., Deputy Administrator of the Veterans' Administration. Mr. Alvarez, we are pleased to have you this morning.

I might make two comments for all of us. The Administrator was unable to be here this morning because he is testifying on the Senate side before the Senate Veterans' Affairs Committee at a very important budget hearing.

Also not present with us is Dr. Custis. We will hear from Dr. Custis when we have the overview of our construction and rehabilitation needs. Dr. Custis just returned to work after suffering an illness recently. I wrote him a little note telling him to get well because we needed him at the witness table. I saw him present this morning and understand that he has been called over to the Senate side. I hope that all of you will convey back to Dr. Custis our real pleasure that his health has turned around and that he is back to work, because he does have a giant responsibility.

Before you proceed, I would like to ask unanimous consent to introduce in the record a letter that the chairman of the full committee sent to the Honorable David Stockman in reference to the transmittal of the report on Puerto Rico and the Virgin Islands. It summarizes in that letter of January 24, 1983, some real concern that we have about the cover letter and also about the executive summary.

In the transmitting of that report to this committee, we were very concerned that the report didn't have the full weight and support of either the Veterans' Administration or the Office of Management and Budget. We hope that in your testimony today we can get some clarification of that report. I would submit this letter.

[The letter follows:]

January 24, 1983.

Hon. David A. Stockman,
Director, Office of Management and Budget, Executive Office Building, Washington, D.C.

Dear Dave: The Committee on Veterans' Affairs received a report from the VA on January 21, 1983, on the delivery of health care to veterans in Puerto Rico and the Virgin Islands. The report and the recommendations of the Administrator were mandated pursuant to the Joint Explanatory Statement of the House and the Senate on passage of Public Law 97-251.

The mandate directed the Administrator of Veterans' Affairs to make a study and transmit to the Committees on Veterans' Affairs by December 1, 1982, a specific, detailed proposal, including any construction projects, that the VA considered necessary pertaining to the delivery of health care for eligible veterans in Puerto Rico and the Virgin Islands. The VA report falls far short of this directive and is legislatively unacceptable. For example, the Executive Summary states: "This report reflects a *'plan'*, in accordance with the congressional directive. The *'plan'* is not a recommendation and should not be construed as such. Additional considerations, which themselves require further study, will influence both our needs assessment and any final plan or recommendations we might offer. Any such recommendation must take into account a variety of considerations, including those inherent in the budget process. *As such, this report does not constitute a request for funding or for any other legislative action. Nor does it necessarily represent the views of the agency or the administration.*" (Italic added.)

The use of the report language quoted above leads me to believe that it is the product of the Office of Management and Budget. Thus, the reason for my directing this correspondence to you.

Based on the disclaimers in the cover letter from the Administrator and in the Executive Summary, we are unable to develop any legislation to permanently resolve the issue of health care delivery to veterans in the Commonwealth of Puerto Rico and the Virgin Islands. To do so would be to perpetuate the very situation we were determined to correct. Since the report and its cover letter could not express the views of the Administrator of Veterans Affairs, or of the Administration, I am directing this letter to you to obtain the views of the Administration. Unless the Congress and the Executive Branch cooperate in resolving this complex and sensitive matter, the veterans of Puerto Rico and the Virgin Islands will suffer. This should not happen.

I look forward to an early response.

Sincerely,

G. V. (SONNY) MONTGOMERY, *Chairman.*

Mr. EDGAR. Now, Mr. Alvarez, if you would introduce those who are with you this morning and proceed with your statement as you see fit.

STATEMENT OF HON. EVERETT ALVAREZ, JR., DEPUTY ADMINISTRATOR, VETERANS' ADMINISTRATION, ACCOMPANIED BY DR. MURRAY MITTS, DEPARTMENT OF MEDICINE AND SURGERY, DR. JOHN MATHER, STATE VETERAN PROGRAMS, AND ROBERT COY, DEPUTY GENERAL COUNSEL, VETERANS' ADMINISTRATION

Mr. ALVAREZ. Mr. Chairman, thank you very much.

As you indicated, Dr. Custis was called away, so in his absence I am asking Dr. Murray Mitts, Department of Medicine and Surgery, who has been involved with the DM&S planning process to join me, along with Dr. John Mather, who is our person most familiar with the State veteran programs. Also Mr. Robert Coy, our deputy general counsel, is here to assist.

If it please you, Mr. Chairman, I would like to submit my detailed statement for the record and summarize it for you.

Mr. EDGAR. Without objection, your whole statement will be made a part of the record, and we invite you to summarize at this point.

Mr. ALVAREZ. Thank you.

Mr. Chairman, and members of the subcommittee, I am pleased to appear before you this morning to discuss H.R. 103 and to address the issue of the means by which the Veterans' Administration provides health care to veterans in Puerto Rico and the Virgin Islands.

Section 641 of title 38 prescribes the per diem rate of payment by the Veterans' Administration to State domiciliaries, nursing homes, and hospitals for the care of eligible veterans. H.R. 103 proposes to increase these per diem rates by 50 percent for domiciliary care, by 36 percent for nursing home care, and by 38 percent for hospital care. The bill would also require the VA to submit a biennial report to the Committees on Veterans' Affairs on the appropriate per diem rates for payments to State homes.

The State home program has long been recognized as an important auxiliary resource for meeting the extended care needs of our aging veteran population. Indeed, our current VA planning anticipates continued growth in this program. In fiscal year 1982, VA per diem payments to State veterans homes for domiciliary care totaled approximately $10.4 million; for nursing home care, those payments amounted to approximately $28.4 million; and for hospital care, $2.8 million. In addition, the estimated obligations for State construction grants for fiscal year 1984 are at $28.8 million.

The Veterans' Administration does not support enactment of H.R. 103, because the VA already provides substantial sums, $41.6 million in fiscal year 1982 alone, to the State home program through the per diem payment provision. In addition, the VA provides the funding for up to 65 percent of the cost of constructing such facilities. This bill would increase the VA per diem payments at rates that we believe are considerably greater than the rate of increase in VA health care costs and would result in additional costs to the VA of $18 million in the first fiscal year and $95.7 million over a 5-year period. We believe that such an increase is not warranted at this time.

The bill would also require the VA to submit a biennial report to the congressional committees on the appropriate rates for per diem payments. The reporting requirement appears to be based on the premise that the VA should contribute a percentage of the costs of care under this program. We have not agreed with this premise and it has never been our understanding that per diem payments were intended to result in the VA funding a certain fixed percent of the cost of care of these facilities. For these reasons, the VA does not support enactment of H.R. 103.

In addition, I would like to say that for the fiscal year 1985 budget planning process, we do plan to include this per diem issue in the planning process. I cannot say why it was not included in the fiscal year 1984 planning process.

At this point, Mr. Chairman, I would like to address the issue of providing for the health care needs of veterans in Puerto Rico and the Virgin Islands.

Because the demand for care by veterans in Puerto Rico consistently exceeds the capabilities of the San Juan VA Medical Center and the Mayaguez clinic, and because the Virgin Islands have no VA clinic or other VA facilities, contracting and fee for service have, of necessity, been the vehicles for providing care to many veterans in these islands.

Where the VA is otherwise unable to provide needed care, special contracting authority permits us to provide hospital care for non-service-connected disabilities and such out-patient medical care as will obviate the need for hospital admission, for veterans in Puerto Rico and the Virgin Islands.

At the urging of the Committees on Veterans' Affairs last August, agency officials prepared a comprehensive plan for providing appropriate and cost-effective health care to these veterans. The purpose of the report, as requested, was to assist Congress to determine the need for extending the special contracting authority and to develop a direction for providing care to these veterans in the future.

Regrettably, the complexity and the timing of the committees' request did not permit the recommendations of this plan to be considered as part of the fiscal year 1984 budget process. Absent from the plan is the vital role of carefully considering the appropriate balance of the needs of our veterans in Puerto Rico and the Virgin Islands in relation to the needs of our veterans in all other parts of the United States. In the final analysis, the report certainly provides us an assessment of the health care needs of Puerto Rico and the Virgin Islands. However, it neither analyzes nor sets forth how those needs could best be met in relation to the many other important, competing needs of veterans throughout our country.

Accordingly, we are transmitting to the Speaker of the House a bill to provide for an extension for an additional 3 years, through September 30, 1986, of the Veterans' Administration's present contract authority. This extension would enable the VA to consider the appropriate balance to be achieved through a process that allows all of the needs of our veterans to be considered together and in relation to one another.

Mr. Chairman, I will not cover the details of the report or cite the findings at this time, but the chief medical director's representatives of the planning task force are here and I am sure they will be pleased to help me answer any questions concerning the more detailed aspects of the study and its recommendations.

Thank you.

[The statement of Everett Alvarez, Jr., appears at p. 87.]

Mr. EDGAR. Thank you very much for your testimony. I have a number of questions that I would like to raise, and I will raise a few of them now and then yield to my colleagues who have questions and then come back to additional questions.

The Administrator talks about being an advocate, and the theme of the new Administrator is that of building a team that advocates on behalf of veterans. I appreciate your strong statement about how important the veterans State home program is and your comment that you made about the 1985 and 1986 construction funding and your personal comment about why it was not included in 1984.

Let me ask you a series of specific questions to see if we can build a picture of what we are really saying.

What is the current projected medical inflation rate in the United States within the private health care sector this year, 1983?

Mr. ALVAREZ. I will have to submit that for the record, Mr. Edgar.

[Subsequently, the Veterans' Administration furnished the following information:]

The Medical Care Consumer Price Index (Medical CPI), prepared monthly by the Department of Labor, provides the average change in prices for medical care commodities (including prescription and nonprescription drugs and medical supplies) and professional and other medical care services. The table below details the fiscal year 1978–82 average monthly index and the fiscal year 1979–82 average yearly increase:

	Average monthly index	Average yearly increase (percent)
Fiscal Year:		
1978	214.8	
1979	234.3	+9.1
1980	259.4	+10.7
1981	286.1	+10.3
1982	320.2	+11.9

The latest monthly Medical CPI (December 1982) increased 0.61 percent over the previous month. This would equate to an annual rate of 7.4 percent.

Mr. **EDGAR**. We have information that it ranges between 16 to 20 percent. But let's use your figure of 14 percent.

What would you estimate the medical inflation rate in the private sector to have been, cumulative, since 1979? If you were to estimate what it was in 1983 and you think about the health-care rates that we have seen over the last 4 years, what would you estimate that rate to have have been?

Dr. **MITTS**. For a 3-year period, sir?

Mr. **EDGAR**. It is actually a 4-year period, from 1979.

Dr. **MITTS**. I would prefer to get that for the record, if I can, so I will be more precise.

Mr. **ALVAREZ**. I think it would be wise if we went back and worked this up for you, Mr. Chairman, and provide it for the record.

Mr. **EDGAR**. Would you think it would be too outlandish to say it was probably between 80 and 100 percent? If in the 1 year we are talking 14 percent, and in the last 3 years we have just brought inflation under some control—you can argue on how we did that—but with all the pressure on hospital-cost containment, would you guess it might be in the neighborhood of 80 to 100 percent?

Dr. **MITTS**. I would guess less than that. Again, we will try to get it. All we do know is it's a staggering increase.

Mr. **EDGAR**. Could we use the figure 50 percent?

Dr. **MITTS**. Fair enough.

Mr. **EDGAR**. Is the VA, as a Federal health-care provider, impacted by the same medical inflationary pressures as the private sector?

Dr. **MITTS**. Yes, sir, it surely is.

Mr. **EDGAR**. From your experience, is the State veterans home system also impacted by the same inflationary pressures as the private sector?

Dr. **MITTS**. Yes, sir.

Mr. **EDGAR**. The President's proposed budget for VA health care has only called for a 5-percent increase in fiscal 1984 over this year, 1983. Would you say that this increase adequately reflects the impact of inflation on the system through its ability to maintain the quality and quantity of care comparable to that of the private sector?

Mr. **ALVAREZ**. Mr. Chairman, I don't know if we could comment on that. In retrospect, looking over the entire spectrum of the issues facing the Administrator, and the severe economic considerations he is working under, I don't know if you could get agreement that it would be a fairly comparable figure, compared to what inflaction has actually been experienced in the private sector.

As for our position, without the information and data here, I would like to give you that comparison for the record once we get that data tabulated.

Mr. **EDGAR**. It would be helpful for the record.

[Subsequently, the Veterans' Administration furnished the following information:]

Although the actual Consumer Price Index (Medical CPI) for fiscal year 1984 will not be known for some time, the rate of growth according to the latest monthly

Medical CPI is decreasing. The December index increased 0.61 percent over the previous month. This would equate to an annual rate of 7.4 percent.

The index measures price increases of medical care commodities, professional and other medical care services (including personal service and all other costs). If the trend experienced in the early months of fiscal year 1983 continues, the 5 percent increase for inflation in fiscal year 1984 (nonpersonal service costs) should be adequate.

Mr. **Edgar**. We took 14 percent for 1983 and a 50-percent guesstimate for a 4-year period, and then to see a 5-percent increase is troubling. But even more troubling is the following:

You state on page 2 of your testimony that the VA objects to H.R. 103, in part because the increase in per diem rates called for is considerably greater than the rate of increase in the VA health care costs.

Do you have data to show that that is accurate?

Dr. **Mather**. Mr. Chairman, I have information that shows that since October 1, 1980, the increase in the VA's own costs were, domiciliary at 28 percent, for nursing-home care it is 27 percent, and for hospital care it is 31 percent. Those figures are less than those represented by the increases requested in H.R. 103.

Mr. **Edgar**. Would you repeat that statement you just made in terms of underscoring the date that those figures are applicable for?

Dr. **Mather**. The time period we are talking about is since October 1, 1980.

Mr. **Edgar**. October 1, 1980. Is that for 1 year or is that the period of time you're talking about?

Dr. **Mather**. We are talking about the period of time since October 1, 1980, what these percentage increases are that I have referenced already.

Mr. **Edgar**. What would be the percentage increase that would be applicable if we had kept pace with inflation in per diem rates?

Dr. **Mather**. Mr. Chairman, I think that is exceedingly difficult to answer. But given the series of questions you have asked already, I think from our standpoint we would have no dispute with the testimony of the national association, which shows our percentage share over this period of time dropping back. The question arises on the extent to which we are and should be expected to share or assist in those per diem rates.

Mr. **Edgar**. So you are not prepared at this time to give specific amounts as to how much you think would be a reasonable or logical increase, but you do admit that the present rate that has been in effect since 1980 does not keep pace with inflation?

Dr. **Mather**. Mr. Chairman, I think the figures show that and we are not disputing that.

As to your question of what is a reasonable increase, the only historical basis we can go on is comparable to what happened in the legislation in 1979 when, in fact, there was a 15-percent increase at that point in time.

Mr. **Edgar**. I yield to the gentleman.

Mr. **Slattery**. Mr. Chairman, I have several questions I would also like to ask the gentleman.

In looking over the information that was provided this morning, it just appears to me that the Federal Government is getting a great deal from the standpoint of cost efficiency with regard to the health care that is provided by these State facilities. Would you agree with that?

Mr. **Alvarez**. Congressman, we do not dispute the fact that we are benefiting greatly from the State home care domiciliary and hospital-care programs. We do not argue against that point at all.

Mr. **Slattery**. It just seems like to me that we are not only getting a good deal, we are getting an outstanding deal. I find it very difficult to come up with any reasons to justify why we shouldn't do something to close the gap between the actual costs that we're paying in the Federal facilities and those that we are currently paying in the State facilities.

Can you help me there? I mean, that is based on the assumption, of course, that the care of these veterans is, indeed, a Federal responsibility.

Mr. **Alvarez**. We are not at all contesting that inflation has had an impact. What we have opposed are the rates proposed in the bill. We do think there is a need to do something and that is part of what I hope to accomplish in the next planning process.

First of all, as Dr. Mather indicated, we need to determine what our share should be. I think beyond that we need to explore at a greater depth what is really at stake for the VA and what's at stake for the State in these programs. There is a real need. We both have obligations to the veterans. We are supportive of these programs and we plan to expand them, as we indicated, but today we are not prepared, because we have not brought this into the basic planning process within our Department of Medicine and Surgery for this fiscal year. I can't explain why we didn't, but I believe we should bring it into the planning process starting this spring.

Mr. **Edgar**. If the gentleman would yield, I think the gentleman is raising a very important point, a wise man once said "not to decide is to decide".

Not to have your recommendations before us is a problem. In 1970 your statement was, as the VA, that you wanted to assume 35.3 percent of the cost. In 1976 you said it was legitimate to provide 29.1 percent of the cost. In 1978 you said it was legitimate to provide 28.1 percent of the cost, and in 1982 we decided that it was legitimate to pay 20.3 percent of the cost.

Now, it seems to me, under several administrations and under several years of figures, we are essentially saying, for 1984 funding, for the foreseeable future, we want to do less, not more. I mean, that's a statement we're making by not making a decision now.

I don't think we can just simply say it's a passive statement of we're going to continue at present rates. We are, in fact, making an overt, active, aggressive statement that we want to do less for State veterans home facilities.

Am I inaccurate in that?

Mr. **Alvarez**. The Veterans Administration does not want to do less for our veterans. We want to do what is fair and do our share. What we want is a chance to determine what that share should be in this program. We are not prepared at this time to tell you what that share should be.

Mr. **Slattery**. I would just observe, it seems to me that when we're talking about the Federal Government assuming the responsibility for 20 percent of the costs, or in that neighborhood, that that's a pitiful contribution and an equitable basis, you might say.

I would just observe that it appears that the veterans in this situation are sort of the pawns in the great budget game that we're playing these days in terms of reducing Federal expenditures, shuffling those expenditures back to the States, getting off the hook wherever we can, so to speak. I would just make that observation in looking at this, that the total reduction of public dollars spent may not be a real reduction at all.

Beyond that, I would also like to ask Mr. Alvarez a question with regard to the Commonwealth of Puerto Rico.

Wouldn't you agree it would make a lot more sense to actually construct the facilities needed and amortize them over a period of, say, 5 or 6 years, instead of continuing the present program of spending $10 million to $15 million a year as we are currently doing?

Mr. **Alvarez**. In principle, I would have to agree with you with respect to the Puerto Rico situation. However, let me point out our intent, now that we have the results of the task group report documenting the needs in Puerto Rico and the Virgin Islands—and these are recognized needs, make no qualms about that. We intend to bring possible construction actions into the regular planning process, our 5-year plan on construction. These needs can then be weighed and balanced against the needs in Florida, Texas, Pennsylvania, Michigan, et cetera. Basically throughout the country, on a prioritized basis; they can compete with these other needs, and we can approach the problem on a fair and equitable basis and best serve the veterans of this country in the manner in which we are commanded to do so.

Mr. **Slattery**. To reemphasize the point, though, the gentleman would agree that it would make sense to——

Mr. **Alvarez**. In principle, and what I foresee basically is that some of these recommendations would be included in the 5-year planning process. How soon they can get going on some of those would be based on the ones we would consider to be the most critical.

Mr. **Slattery**. Thank you.

Mr. **Edgar**. Suppose we only gave you a 2-year extension rather than a 3-year extension; wouldn't that, by necessity, make it more of a priority? If we give you a 3-year extension of the existing program, doesn't that give you the opportunity to come in and suggest in the 5-year plan that it's in the sixth year, or it's in the fifth year, it's in the fourth year, that some commitment will be made?

Mr. **Alvarez**. Mr. Chairman, maybe I should clarify this 5-year planning process a little bit.

We can accelerate some of the projects once they're into the program, but they all take time. We could, for example, if the Department decided that an outpatient clinic or a nursing home was one of the more critical needs and included it up front in the 5-year plan, the construction planning process could be accelerated to some degree. But I do not know at this point whether we would be sufficiently down the road in 2 years; we "may have" a clinic, we "may have" a nursing home. We may be at the stage where we need another year to get a few more facilities going. It takes time, especially with construction. You have a long lead time required in here. To be any more specific or to try to accelerate any of these programs in a direct manner, we are just not that definite on those.

Mr. **Edgar**. We will get into those specifics at our construction hearing in March.

Mr. Bilirakis.

Mr. **Bilirakis**. Thank you, Mr. Chairman.

Mr. Alvarez, I know that your administration is a new one. Mr. Walters has not been aboard very long and you have been aboard not much longer than he. I know that it seems somewhat unfair maybe to be hitting you with all these things. But we, of course, have been elected for 2 years, and it is no excuse to our constituents if we don't try to get the job done within that period of time. That certainly applies to us freshmen. We can't say, "Hey, we need 2 years to get our feet on the ground." We have got to do it right away. So you have to understand our impatience and sometimes seemingly lack of tolerance.

I will say that I have gotten to know Mr. Walters quite well. I first met him in Florida during a ground breaking down there at one of the veterans' hospitals. I was very impressed with him. I have told many of my fellow veterans down there I am impressed with him, and I believe he really has the veterans' thoughts at heart.

I don't mind telling you, sir, that I have also bragged on you, I have told some of my fellow veterans down there some of your background and have taken the liberty to do it, to assure them that we have a fighting man in the top echelon who understands their problems and can empathize with them.

Sir, you know, with all of that, still the needs are there. Being one of the troops all of these years, and for many years without even having thought about politics, I was very active in veterans affairs, commander of the American Legion for 2 years, a member of the Veterans of Foreign Wars and whatnot, and I have been aware of veterans problems. You know, I have myself made the statement, I wonder who the VA is really for, whose side is it really on. Are they on the side of veterans or is it on the side of whichever administration happens to be in office. Is it the image among many of the troops, and it is a very important image that has to be disspelled, I think, and has to be clarified.

Now, we go into several particular figures when I am trying to interpret. The information we received earlier from our esteemed counsel was that patient care cost is $191 per day for acute care, and $88 per day for nursing care, and $35 per day for domiciliary care in the VA facilities. I see this, and if I interpret it correctly, the State home cost for domiciliary is $31 versus $35; the nursing home care is $55 versus $88; and $122 hospital care versus $191. I suppose I'm comparing oranges with oranges there.

Why does it cost the American taxpayer so much more money for the patient care costs in VA hospitals? That's the No. 1 question.

That being the case, sir, when we compare $6, $12, and $13 and going back to the question Mr. Slattery asked—as against $35, $88, and $191, why is it we're balking at giving some sort of an increase when much of the VA burden is being undertaken by these homecare facilities, State care facilities, and there hasn't been any increase since 1979 in those per diem amounts?

That's three or four questions, I supposed, rolled into one, but I hope you are able to answer them.

Mr. **Alvarez**. Thank you, sir.

I would also like to assure you that our main purpose, our focus is looking out for the veterans. We have the interest of the veterans as our primary interest.

With respect to your figures on the per diem and the proposed figures, I am not opposing an increase. This is an issue that has come recently to our attention. I am asking basically for a chance to take some time to look at this issue, and for us to come forth and say, "Look, this is what we think that our share should be. This is what we see as the VA's share."

Mr. **Edgar**. Would the gentleman yield?

Mr. **Bilirakis**. Yes, sir.

Mr. **Edgar**. In the history of the program, has the VA ever come before Congress and asked for an increase in per diem rates?

Mr. **Alvarez**. I'll have to refer that question to Dr. Mather.

Dr. **Mather**. Mr. Chairman, to my knowledge, over the last decade, the answer to the question is no.

Mr. **Edgar**. Thank you.

Any further questions?

Mr. **Bilirakis**. No, sir. I just realize that money is limited and we have to be responsible with taxpayers' dollars and we can't satisfy the needs of all of the American people because there isn't enough money in the world to do that. But it is difficult trying to reconcile some of these figures in my mind, with negative thoughts on the part of the VA.

Mr. **Alvarez**. I would admit, sir, I am having problems reconciling it, also.

Mr. **Edgar**. I can tell you, I can find one bad water project some place in the Nation that gets more money than we spend on domiciliary State home care for all of our veterans across the country.

Mr. **Bilirakis**. Yes, sir, and all of the foreign aid we give out to so many people. We could go on and on and on, and our veterans and senior citizens suffer.

Mr. **Edgar**. I yield to Mr. Evans.

Mr. **Evans**. Thank you, Mr. Chairman.

In light of the answer to the last question, the fact that the VA has not come before this committee in the past and asked for an increase, and in light of the fact that we think the biannual reporting provision of this bill is reasonable because it will give us a better handle on the working relationship between the VA and State nursing homes and keep us informed of the desirability of adjusting these rates, do you really see or can you offer to this committee any better reason for opposing this reporting provision other than your mere opposition to yet another reporting requirement?

Mr. **Mather**. Mr. Evans, I think the opposition is not just on the basis of writing another report, since we clearly write many reports to Congress. It is more on the issue concerned as to what is implied by the agency working toward some kind of fixed ratio reimbursement. The General Accounting Office provided a report in the past couple of years indicating that the way in which the rates are determined at this point in time is entirely satisfactory. If it is implied in this report that there is to be some kind of fixed ratio reimbursement, then I think that is the concern that we have.

Mr. EVANS. I think the real concern of us in the reporting provision is that we get updated in terms of how much increases have been in the cost of care in these facilities and that the VA make a recommendation in regards to those cost increases of what might be reasonable rates of increase, maybe not necessarily fixing a percentage, but what the feeling of whatever administration is in control at that point of what a reasonable increase would be.

Dr. MATHER. Mr. Chairman, you did observe the reductions over the past, I think, 15 years in the percentage which the VA, in fact, shared in these per diem costs, went down to 20.3 percent. We do share that concern, as Mr. Alvarez has pointed out, about those reductions, and seek the opportunity to in fact be a little more proactive than has been evident in the past.

Mr. EDGAR. I have a couple of additional questions that relate to this issue. We are talking about a certain percentage of cost and your aversion to have a fixed percentage of that cost. In the last 5 years the percentage of VA's share has shrunk at least 5 percent overall in terms of the Federal Government's commitment, at the very time we have had this lopsided increase in the cost of providing the service.

In citing the legislative history of the program, the Association of State Veterans Homes quotes from report No. 1377, the 2d session of the 90th Congress, that the program was intended, indeed, "to be a partnership between State and Federal Government," and that it was the "intent of Congress that the Federal Government should share a certain portion of the burden of the cost."

How do you reconcile the difference between what you might call a percent in the legislative history which cited specifically a portion of the cost? Is this just a semantic difference?

Dr. MATHER. Mr. Chairman, I have concern that we get drawn into semantic debate rather than recognizing, in fact, we are contributing 20.3 percent at this point in time. I do not know, sir, what actually would constitute a reasonable partnership.

Mr. EDGAR. Mr. Alvarez, do you have a comment on that?

Mr. ALVAREZ. I would like to add that I was not aware of the decline, over this period of time, of the percentage the VA has experienced. I would also like to reemphasize my concern that we bring the per diem issue into the regular planning process within the Department of Medicine and Surgery.

But as far as the partnership goes, I still think that we also should consider the rule that the VA has with these programs, and the large funding percentage that we have. I am not speaking for Dr. Custis; I'm sorry that he had to leave. But I do see the problem facing us with respect to allocation of resources in this particular program, establishing the facilities, funding the facilities, and then the per diem.

Mr. EDGAR. Let me assure you that I share that concern.

Mr. ALVAREZ. I would like to say that we do want to be more proactive in these areas and, therefore, my statement about getting this issue into the regular planning process so that we are up to date, that we are considering it on a timely basis, rather than what apparently has happened in the past, as we are constantly, or annually, being reminded by you, sir.

Mr. EDGAR. I yield to the gentleman, Mr. Penny.

Mr. PENNY. Thank you, Mr. Chairman.

I was somewhat disturbed by the comment that you don't know or have difficulty deciding what the proper percentage of costs should be. When you look at the historical percentage of costs that have been provided by the Veterans' Administration, held always within the range of 27 to 33 percent. Any adjustments that have been made over the years by this Congress have apparently attempted to maintain a percentage share in that range. It is only in the last few years that we have fallen far short of accomplishing the objective of supporting State veterans homes by about 30 percent.

The reason I am disturbed is that it appears to me there has been a historical standard and it is only in the last couple of years that we have fallen short of that standard, and yet the VA doesn't seem to feel that we have an established commitment to support these homes at that level.

Mr. ALVAREZ. I do not agree, sir, that we do not feel a commitment to support these homes. It is the level. As you indicate, we are below the level that we historically have been supporting these homes.

I think what I would like to see happen within our Department is a better rationale than has been submitted in the past with respect to approach to this issue, rather than just a continual update of the rates. Perhaps some kind of a formula would be a better approach to this issue.

The point is, I am not aware, Dr. Mather, you clarify if you will, of any formula or any systematic process with respect to this issue. I would like to see that developed in time. But I am definitely in favor of the program and we want to be supportive and I believe historically we have been supportive. We want to be proactive, but at this point we are not ready to endorse the figure and the percentages that are proposed in the bill itself.

Dr. MATHER. Mr. Penny, just to reiterate, in terms of formulas, there are none. In one sense, it is very difficult to arrive at formulas when, as the chairman has already recognized, the general inflation rate as compared to the health inflation rate in the community at large, and then you compare it to our own VA inflation rate in the health care portion of the budget. My professional judgment would be right now that it would be very difficult to come up with those prospective formulas, to look to a new ratesetting that will come from consideration of this bill, per se.

Mr. COY. Mr. Chairman, let me comment on one point as a matter of clarification.

The statute does, of course, spell out that the ratio between the States support of a program and other support of the program should be in the 50 percent area. It says:

> In no case shall the payments made with respect to any veteran under this particular section exceed one-half of the cost of the veteran's care.

So there is a statutory precedent or formula.

Mr. EDGAR. Are you suggesting that we move it to 50 percent?

Mr. COY. No. The point I am trying to say, is that when you are looking at the Federal contribution, you have a number of areas where contributions are derived from Federal sources. For example, in a number of circumstances, veterans are charged or other payments are received in support of the services provided. For example, pension payments could be applied toward the State homecare costs; social security benefits could be applied toward the veteran's portion; medicare may be payable in some cases; aid and attendance in other cases. All I am trying to say, to give a broader perspective, is that there are other Federal contributions.

That does not mean that the veteran's share should not be modified. I think Mr. Alvarez has indicated that. But I just believe the issue should be viewed in proper perspective. There are other Federal contributions that have to be considered, in addition to the construction assistance.

Mr. EDGAR. That's a point well taken.

I would like to yield to our chief counsel, Ralph Casteel, for several questions.

Mr. CASTEEL. Mr. Coy, are you suggesting that we apply the same criteria to VA patients in VA facilities?

Mr. COY. No. I think that what has happened in this case is that the Congress recognized there are dual responsibilities related to citizens of a State; there are the responsibilities of the State and responsibilities of the Federal sector. Veterans are citizens of both. I think in this particular program it is designed to be a shared program.

In connection with the medical care program, if I understand your question, I don't think the Congress has recognized that it should be a shared responsibility, nor has this administration nor has Mr. Alvarez or Mr. Walters suggested such.

Mr. CASTEEL. Of course, all States do not have State veterans homes. Where is the shared responsibility in those States?

Mr. COY. The shared responsibility, of course, would only be acted upon in those cases where there is a home. We have tried to encourage additional State homes by the construction contribution. As a matter of fact, there is a provision in the law to be sure that one State doesn't get an extraordinary amount of the money available, to try to broaden the benefit.

Mr. CASTEEL. I understand that. But the States that do participate are participating on a voluntary basis, and there are several States that are not participating. Yet we want to continue to hold down the Federal payment to those that do volunteer to participate.

But let me get back to the construction grants. Mr. Alvarez, you mentioned that twice, that this was an addition to the per diem that was paid to the State home. Have the requirements for this program been fully met at this time?

Mr. ALVAREZ. For the State construction program?

Mr. CASTEEL. Construction.

Mr. ALVAREZ. I would have to yield or else get——

Mr. CASTEEL. Do you have any applications for grants for this program that have not been funded? If so, I would like to know, roughly, the magnitude of these requests.

Dr. MATHER. Mr. Casteel, we would be happy to supply specific information for the record on dollar amounts. But it is true that we have a waiting list of approximately $60 million of requests for construction of new State veterans homes, whether it be nursing homes or domiciliaries. We can provide you accurate information for the record.

Mr. CASTEEL. Can you tell me how much is in the fiscal year 1984 budget request for this program?

Dr. MATHER. Mr. Chairman, the request in the budget for fiscal year 1984 is for $18 million.

Mr. CASTEEL. We're not playing catchup very fast.

Dr. MATHER. As I understand it, the nature of the program is such that we are in a position where we really need to time these things very carefully since the State legislatures need the leadtime in which to prepare their own legislative requests.

Mr. CASTEEL. Don't they have to do that at the time they submit the request to you? Aren't they prepared at that time, if you fund it?

Dr. MATHER. Mr. Casteel, we have to be in a position where when the preapplication request comes in we are prepared to indicate at what year in the future we might be in a position to fund such a project according to the law. That is the timing which allows the local State veterans groups and State veterans affairs departments to get in line and prepare for it. If we have money too quickly and too early, they are just not prepared.

Mr. CASTEEL. But none of them beyond the $18 million are prepared at the present time; is that what you're telling me?

Dr. MATHER. Mr. Casteel, as required in the law, as you know, no State may have more than a third of the appropriation in any 1 year, and so we have money which rides over between fiscal years. So when you look at $18 million in the fiscal year 1984 request, it may be apportioned out to several projects, given the size of the projects that we have in our scheme at this point in time.

Mr. CASTEEL. I have a question I would like to get in on the Puerto Rican situation at the appropriate time, Mr. Chairman.

Mr. EDGAR. Let me yield to Mr. Penny.

Mr. PENNY. Mr. Chairman, I would just like to follow up on the last question, just for my own benefit. I am not sure that I'm clear on what you were telling counsel.

Is there a priority list of any sort for State facilities that now exists, a list of States that have said they are interested in constructing such a facility and then we deal with those as the money allows? That is the kind of process that exists for most Federal programs. What I thought I heard you telling counsel is that we set the dollar amount and then we figure out who is interested.

It seems kind of surprising that there wouldn't be a standing list.

Dr. MATHER. Mr. Penny, there is a standing list, and historically we have taken the applications on a first-come-first-served basis, depending on whether it is a request for new construction, life safety or renovation. To say that we have requested a certain amount in the budget does not necessarily mean that it covers, as I have already indicated to Mr. Casteel, all those requests on an immediate basis. We have, in fact, though, in the past year recognized our own planning process, the MEDIPP process, as you have heard about, I am sure, that we will not just handle these requests automatically on a first-come-first-served basis, but will, in fact, figure them more and better into the planning process. So it will not necessarily come on a first-come-first-served basis in the future, but according to our more particular geographic needs.

Mr. **Edgar**. I yield to the counsel for additional comments.

Mr. **Casteel**. Mr. Penny, under the law at the present time, there is authorized to be appropriated such sums as may be necessary in this grant program. Now, the VA is coming up and asking for $18 million per year with a $60 million backlog. That is basically where the program is standing today.

Now, at that rate, by the time they get the $18 million in fiscal year 1984, they will probably have another $18 million worth of requests, so they are not catching up very fast. That was my point.

Mr. **Edgar**. Would you submit for the record the list of projects that you have presently in the pipeline?

Dr. **Mather**. We would be happy to, Mr. Chairman.

[Subsequently, the Veterans' Administration furnished the following information:]

This is a list of applications and preapplications on hand as of January 31, 1983, for which funds have not been obligated. $7.2 million represents projects for which fiscal year 1982 funds were available but not yet obligated. Some of the delay was caused by the fiscal year 1982 Continuing Resolution which delayed until February 1982 the date when three states (Maryland, Colorado and Nebraska) could be advised funds were available and a formal application should be submitted.

An unobligated balance of approximately $15.9 million to be carried into fiscal year 1984 includes $13.2 million which cannot be obligated in fiscal year 1983 because of the one-third limitation. This $2.7 million remainder represents a reserve for unanticipated cost increases and an amount insufficient to fully fund the next project.

FAI number, State, and locality	Project	Estimated grant request
24-002—Maryland (Charlotte Hall)	New State home (2d phase—126 Dom/NH beds)	$3,193
24-003—Maryland (Charlotte Hall)	New State home (3d phase—126 Dom/NH beds)	7,904
24-004—Maryland (Charlotte Hall)	New State home (4th phase—126 Dom/NH beds)	4,195
08-007—Colorado (Rifle)	New State home—100 NHC beds	2,426
31-005—Nebraska (Scottsbluff)	50-bed NHC wing and renovations	1,560
29-003—Missouri (Mexico)	New State home (150 NHC beds)	4,485
46-008—South Dakota (Hot Springs)	Window replacement	42
42-006—Pennsylvania (Hollidaysburg)	Boiler plant modifications	488
17-005—Illinois (Manteno)	New State home—300 bed NHC	10,644
25-028—Massachusetts (Chelsea)	Energy conservation	40
17-007—Illinois (Quincy)	Renovation Andrew	351
17-008—Illinois (Quincy)	Energy conservation	117
35-001—New Mexico (T or C)	New 150 bed domiciliary and NH	2,975
09-008—Connecticut (Rocky Hill)	Window replacement	584
17-009—Illinois (Quincy)	Fire safety	111
19-025—Iowa (Marshalltown)	Renovate loftus—NH	319
50-006—Vermont (Bennington)	50 bed MH care unit and renovations	3,250
26-002—Michigan (Grand Rapids)	Renovation of 226 bed, Mann Building—Dom or NH	4,940
06-008—California (Yountville)	Hospital addition—56 beds	5,605
06-009—California (Yountville)	Remodel Dom—C	1,636
06-010—California (Yountville)	Remodel Dom—A	1,317
06-011—California (Yountville)	Cooling plant and piping	1,359
26-003—Michigan (Marquette)	New State home 155—Bed conversion to NH	2,247

FAI number, State, and locality	Project	Estimated grant request
34-009—New Jersey (Paramus)	New State home 360 bed NH	13,000
28-001—Mississippi (Yazoo City)	New State home 150—Bed Dom	1,625
30-002—Montana (Columbia Falls)	50—Bed NH wing	1,203
25-029—Massachusetts (Chelsea)	Elevators	78
25-030—Massachusetts (Chelsea)	Renovations	87
06-012—California (Yountville)	Remodel hospital ward 1A	118
37-N003—Pennsylvania (Hollidaysburg)	Renovations—NHC—Grant increase	99
37-N004—Pennsylvania (Hollidaysburg)	Renovations—Dom—Grant increase	191
13-004—Georgia (Milledgeville)	150 bed NH	5,902
27-006—Minnesota (Hastings)	Grant increase	474
17-010—Illinois (Quincy)	Life safety—Fire alarm	144
42-008—Pennsylvania (Hollidaysburg)	Renovation—Sommer—225 NH beds	2,785
06-013—California (Yountville)	Rem. Sec. B to NH—Life safety	2,179
06-014—California (Yountville)	Rem. Sec. D Dom—Life safety	1,680
06-015—California (Yountville)	Rem. Sec. E Life safety	1,729
Total		91,083

Mr. EDGAR. Would you categorize for us the ones that you think would be covered by the $18 million?

Dr. MATHER. Yes, sir.

[Subsequently, the Veterans' Administration furnished the following information:]

If $18 million is appropriated in fiscal year 1984, unless the MEDIPP process indicates a compelling need for another order, it is planned to use funds carried forward plus fiscal year 1984 funds to obligate the third and fourth phases of the Charlotte Hall, Maryland projects; with funds carried forward plus 1984 funds to obligate the Manteno, Illinois project and the Quincy, Illinois projects for the renovation of the Andrew building, the energy conservation and the fire safety projects. It is also planned to obligate funds for the new State home at Truth or Consequences, New Mexico; a window replacement project at Rocky Hill, Connecticut and renovation of the Loftus building at Marshalltown, Iowa. If there are sufficient funds remaining in fiscal year 1984, the 50-bed nursing home care unit and renovations at Bennington, Vermont will be obligated.

Mr. EDGAR. Let me move to just a couple of final questions on the Puerto Rican VA problem.

After reading the report, it has come to my attention that a great deal of the data that was in this report, brought together from a variety of sources, was available in terms of public information. There is not much startling information in that report. And yet, on page 7 of your prepared testimony today, you state "The complexity and timing of the Committee's request did not permit the study on the delivery of health care to veterans in Puerto Rico and the Virgin Islands to be considered as part of the fiscal 1984 budget process."

Now, I have a hard time with that argument, because the information in the report was available, and the need is out there, and the commitment that the VA has to provide some $20 million a year to provide services is clearly a budget item. I wonder whether or not you can give us some history as to why you believe so strongly that the complexity and timing of the committee's request did not permit that flexibility.

Wouldn't it be more accurate to say that "because we had a new Administrator, and because we were in transition, and because we didn't get into the fray with the OMB officials in time, we couldn't move on it for 1984 funding"?

Mr. **Alvarez**. Mr. Chairman, what you say is certainly true. However, I also believe that the timing aspects of the preparation of the report paralleled or actually followed the beginning of the budgetary formulation for fiscal year 1984. I think Dr. Mitts probably has a better feel for the historical aspects of this.

Dr. **Mitts**. Yes, sir——

Mr. **Edgar**. Before you begin, though, Mr. Alvarez, it was an awfully close call. We asked for the report on December 1, but clearly a lot of the data in the report was available long before December 1. And in the preparation for the 1984 budget, if you or those previous to your selection would have wanted to make that commitment, it could have been done. I don't think the timing that the committee put on you prevented you from making that decision.

Maybe you want to clarify that.

Dr. **Mitts**. My involvement with the issue came about 2 years ago, when Dr. Custis asked me to develop the grassroots planning process with my staff, and I am sure you know the history of this. Two of the main problems were the problems of Puerto Rico and the increasing veteran population in Florida. We were trying to mesh the MEDIPP—medical district initiated program planning—process along with the Puerto Rican report. Dr. Custis met with us, after he had met with Mr. Alvarez, early in September and asked us to form a task force to do two things: See if there was a consistent problem down there, which he suspected there was, and two, to wrap it up into the MEDIPP process so there would be a consistency across the board. Management personnel from district 3 and the regional director in which that facility is located were part of the task force.

At the present time the Puerto Rican report will be folded into the district's plan for beginning 1985 to 1990. So that is essentially where we stand with it.

Mr. **Edgar**. Just thinking off the top of my head, if you spun a scenario where we went out and paid cash for a $100 million or even a $200 million facility, within 10 years we would have spent about what we would spend over the next 10 years if we continue business as usual with contract care. With the concern that we have on the one hand, with the State home problem and not being able to find a few million dollars here or there to increase a slight percentage of our commitment to those State homes, it seems to me that we may, in fact, be wasting money if, in fact, we waste time in responding to timely reports and timely information. Each year that goes by is going to cost us more to respond to that problem and the higher the cost the higher the deficits are going to be. We then begin to cut at the fringes of the opportunity to respond. So we are in a "Catch 22" I think.

Dr. **Mitts**. I agree with you completely. But one of the things that this process has brought out and we will be trying to find a way to report to Congress what the MEDEP results were—we are finding this is the first time there has been an attempt at uniform planning. For instance, if we have a fixed budget, and we do know there is a dreadful need for repair down at Puerto Rico, and we know that Florida is going to have substantial problems in meeting their veterans' needs, this is the first time that planning has not been on an individual-facility-by-individual-facility basis. We know that the aging veteran is going to require a tremendous number of nursing home care. Then the issue is should it all be in VA owned and operated beds, non-VA beds, or State beds? These are policy issues that are being raised by the planning process.

I think it is only when these come out and are looked at that we can start looking at what is practical from a financial point of view, at the same time trying to insure that we give reasonably good care to our patients. I have been a chief of staff at two hospitals; I have been a patient at a veterans hospital; and I think, in the aggregate, we give superior care. It is our intent to plan so we can continue to do that.

Mr. **Edgar**. Let me yield to my counsel for one additional question.

Mr. **Casteel**. I just have one more question that I need to ask Mr. Alvarez before we close this out.

I was the staff member who was in Puerto Rico last June. We found out on the visit that there was a sharing agreement with the Commonwealth Government. As a matter of fact, in a meeting we had with the Governor of the Commonwealth—and your deputy general counsel was present at that meeting—this subject was brought up with the Governor. It was revealed that the Commonwealth owed the VA some $600,000 to $1 million on a sharing agreement that had gone on over the years and nothing was being done to collect these moneys. I understand now that a settlement has been made with the Commonwealth Government for about $150,000-some. Now, my mathematics tells me that is about 15 cents on the dollar.

Could you explain how this settlement came about?

Mr. **Alvarez**. I think Mr. Coy could best answer that question for you.

Mr. **Coy**. Mr. Casteel, you are correct. We did have an interesting discussion on this whole issue. And I might say I believe the discussion did raise the awareness level of the issue to a number of people. Since that time there have been additional discussions and audits. It is my understanding that they have ascertained that $593,000 of that portion is actually due from medicare and potentially will be received from medicare. An additional $156,337 is the obligation of the Commonwealth, and I have a copy of a letter which we can provide for the record, dated January 4, 1983, from the Commonwealth acknowledging their portion of the obligation and submitting a $30,000 payment toward it.

It is my understanding now that they have acknowledged the liability as well as the potential liability for any portion that would not be paid by medicare. They have started a re-payment plan and I think with that in mind we can proceed to conclude approval of the sharing agreement which has been in limbo for some period of time.

Mr. **Casteel**. Could you supply for the record also a copy of the bill to HHS for the medicare payments?

Mr. **Coy**. Yes, sir, we can.

Mr. **Casteel**. Thank you.

[Subsequently, the following information was furnished:]

JANUARY 4, 1983.

[Translation]

Mr. JAMES TAYLOR,
Chief, Finance Division, VA Medical and Regional Office Center, San Juan, P.R.

DEAR MR. TAYLOR: Confirming meeting held with the following VA representatives, and the Administration of Health facilities and Services, on December 29, 1982—Mr. Omar E Báez, Mr. Manuel Saleta, Mrs. María Esther Torres de Del Valle, Mr. Gilberto Medina—we wish to inform you that after reviewing all records, we accept our obligation to pay the amount of $156,337.00.

A check in the amount of $30,000 will be issued within the next few days, and the balance will be covered during the year.

Cordially,

Dr. RAFAEL AGUIAR,
Executive Director, AFASS.

FEBRUARY 25, 1983.

Hon. G. V. (SONNY) MONTGOMERY,
Chairman, Committee on Veterans' Affairs, House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: I am pleased to respond to your inquiry concerning the debt owed the Veterans Administration by the Commonwealth of Puerto Rico.

Upon learning of the outstanding debt, we asked the staff of the Veterans Administration Medical and Regional Office Center in San Juan to conduct a detailed audit of these accounts. This audit reflected a total indebtedness of only $156,000. The previously stated amount of approximately $600,000 was in error. There was no compromise in arriving at the figure of $156,000.

The Commonwealth made the first payment against this indebtedness on February 10, 1983, in the amount of $30,000. The remainder is to be paid in increments over the next several months.

It may interest you to know that the Director of the San Juan Medical and Regional Office Center has proposed to the Commonwealth that they consider offsetting the remainder of the indebtedness against the approximately $500,000 the Veterans Administration owes the Commonwealth in taxes on veteran homes that we have repossessed. All concerned parties are exploring this possibility.

I appreciate your concern in this matter, and if we can be of further assistance, please let us know.

Sincerely,

DONALD L. CUTIS, M.D.,
Chief Medical Director.

Mr. EDGAR. Let me in closing shift subjects just very quickly.

We had a preliminary meeting this morning of our subcommittee and there seemed to be a great deal of enthusiasm at finding out what the scope of the health care for veterans really is in the 1983–84 time-frame. There was a lot of enthusiasm for our visits to the six regional areas and the involvement of the whole subcommittee in going out into the field this year and doing one of the most comprehensive analyses of veterans health care from a committee standpoint that has been done for some time.

Let me say that we really need your help with that. We need the cooperation of the VA in making sure these hearings are successful. We hope that you won't go out ahead of time and clean up, fix up, paint up the facilities. We know which facilities are good and bad. We are interested in seeing the whole scope of the problem and do not necessarily want to be pushed and pulled in directions only to see what you want us to see. You understand what I am talking about and we need the cooperation.

We also had a number of members this morning who asked the question what are these 6 regions and what are the 28 districts and that type of thing. If there is some background material apart from the two reports that our staff have provided each of the members that you think might be helpful, either now or between now and the hearings in March, it would be helpful to bring some of that material to their attention. I know you have prepared a map for me, that we still are in the process of getting, that will show some of that, and perhaps in a smaller version we can make that available to other members of the committee.

When we invite you back in March for the 5-year construction overview that we plan, we will at that time begin that hearing by allowing members to go quickly to ask some specific or general questions about the health care system, to bring them up to speed. There are 21 new members of our committee, many of them freshmen members, and we do want to start quickly to understand what the VA health care system entails and we will have questions for you at that time.

You may want to prepare in the beginning of your statement some overall statistical information that you think might be of value to some of the new members, and provide for our folders any additional helpful things that you think might make some sense.

Remember, we don't have time to read books; we do have time to review condensed charts and statistics. I think we have started off on a good foot this morning with a very comprehensive hearing, and we intend to do that in the other hearings that are upcoming.

Mr. ALVAREZ. Thank you, Mr. Chairman. We will certainly be pleased to assist you in any manner that we can, and we will also be pleased to provide you with the informational briefings or whatever information you need to become better acquainted. I would also benefit from a lot of that material, not being an old timer in the organization.

I also want to thank you and your staff of the committee for their patience in addressing the questions that we had this morning.

Mr. EDGAR. Thank you.

There are a number of things we have asked you to submit for the record and we will look forward to those.

On the area of the per diem costs for State homes, I get the feeling from some of the people I talk to within our committee, that we will be moving on that issue. If you have any suggestions or alternative recommendations either officially or unofficially you want to discuss concerning the percentage of increase would be, please feel free to contact us.

Before I close, I want to recognize the fact that the former chairman of the Hospital and Health Care Subcommittee, Hon. Ron Mottl, has entered the room. The hearing is now adjourned.

[Whereupon, at 11:40 a.m., the subcommittee was adjourned.]

APPENDIX

98TH CONGRESS
1ST SESSION

H. R. 103

To amend title 38, United States Code, to increase the per diem rate payable by the Veterans' Administration to States providing domiciliary, nursing home, and hospital care to veterans in State homes.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 3, 1983

Mr. EDGAR (by request) introduced the following bill; which was referred to the Committee on Veterans' Affairs

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A BILL

To amend title 38, United States Code, to increase the per diem rate payable by the Veterans' Administration to States providing domiciliary, nursing home, and hospital care to veterans in State homes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 641 of title 38, United States Code, is amended—

(1) by striking out "$6.35", "$12.10", and "$13.25" in subsection (a) and inserting in lieu thereof "$9.50", "$16.50", and "$18.25", respectively; and

(2) by adding at the end the following new subsection:

"(c) The Administrator shall submit a report every two years to the Committees on Veterans' Affairs of the Senate and House of Representatives on the appropriate rates for payments under subsection (a) of this section. The first such report shall be submitted not later than June 30, 1983.".

SEC. 2. The amendments made by clause (1) of the first section of this Act shall take effect on October 1, 1983.

Office of the
Administrator
of Veterans Affairs

Washington DC 20420

Veterans
Administration

February 14, 1983

Honorable G. V. (Sonny) Montgomery
Chairman, Committee on
Veterans' Affairs
House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

I am pleased to respond to your request for the views of the Veterans Administration on H.R. 103, 98th Congress, a bill "To amend title 38, United States Code, to increase the per diem rate payable by the Veterans' Administration to States providing domiciliary, nursing home, and hospital care to veterans in State homes."

The proposed legislation would increase the specific per diem rates prescribed in 38 U.S.C. § 641 to be paid by the Veterans Administration to State domiciliaries, nursing homes, and hospitals for the care of veterans eligible for this care in a VA facility. These rates would be increased from $6.35 to $9.50 for domiciliary care; from $12.10 to $16.50 for nursing home care; and from $13.25 to $18.25 for hospital care. The bill would also require the VA to submit a biennial report to the Committees on Veterans' Affairs on the appropriate per diem rates for payments to State homes. The VA opposes the bill's enactment.

The State home program has long been recognized as a vital resource for meeting the extended care needs of our aging veteran population. Current VA planning anticipates continued growth in the State home program to help meet the increased future demand for extended health care of the aging veteran population. The program began on August 27, 1888, with an act to provide aid to State or territorial homes for States. In 1939, the law was amended to extend assistance to hospital care provided in State homes. In 1964, Public Law 88-450 extended Federal assistance to State homes to include nursing home care, and separate per diem payments were established for each level of care; namely, domiciliary, nursing home, and hospital care. In Fiscal Year 1982, VA per diem payments to State veterans homes for domiciliary care totalled approximately $10.4 million.

Honorable G. V. (Sonny) Montgomery

Periodically, legislation has been enacted to increase the per diem rates for State veterans homes. The last increase was effective on October 1, 1980, pursuant to Public Law 96-151. This bill would increase VA payments to State homes by 50 percent for domiciliary care, 36 percent for nursing home care, and 38 percent for hospital care.

The bill also requires the VA to submit a biennial report to the congressional committees on the "appropriate rates" for per diem payments. We are unable to agree with the premise underlying this reporting requirement, which appears to be that VA shall fund a certain percent of the cost of care in State home facilities.

I wish to express again the strong commitment of the Veterans Administration to providing assistance to State homes and to working closely with them for the care and welfare of our veterans. However, enactment of H.R. 103 would adversely affect our ability to maintain existing program commitments to veteran beneficiaries.

We estimate that the cost to the Veterans Administration of enacting H.R. 103 would be as follows:

FISCAL YEAR	COST (in millions)
1984	$18.1
1985	18.7
1986	19.2
1987	19.6
1988	20.1
TOTAL	$95.7

We have been advised by the Office of Management and Budget that there is no objection to the presentation of this report to the Congress from the standpoint of the Administration's program.

Sincerely,

Harry N. Walters

HARRY N. WALTERS
Administrator

BALTASAR CORRADA
Resident Commissioner, Puerto Rico

RAUL TORRES-VIERA
Administrative Assistant

Committees:
EDUCATION AND LABOR
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STATEMENT OF HON. BALTASAR CORRADA

BEFORE THE SUBCOMMITTEE ON HOSPITALS AND HEALTH CARE HOUSE COMMITTEE ON VETERANS AFFAIRS

February 16, 1983

Mr. Chairman and members of the Subcommittee, I appreciate the opportunity to appear before you today to present my views on the VA report, " A Plan for the Delivery of Health Care to Veterans in Puerto rico and the Virgin Islands" presented to the Congress on January 20, 1983.

Almost a year ago, I appeared before this Subcommittee to impress upon you the crucial need to review the VA health care delivery system on the Island. The lack of VA medical facilities in Puerto Rico forced the VA to contract out services during the Roosevelt Administration and 40 years later the VA still depends on the private sector to provide medical attention to the thousands of eligible veterans in Puerto Rico. The arrangement prima facie seemed appropriate and conforming to need. Unfortunately, an indepth look by GAO in 1978, triggered by the concerns voiced by veterans on the Island and later ratified by the VA, proved otherwise. Even though the overall medical care provided by General Medicine and Surgery contract hospitals is satisfactory, the quality of psychiatric care in contract hospitals including sanitation, safety and physical facilities were found to be below the standards of the VA in some instances and totally inadequate in others. The present facilities of the VA on the Island, even though adequate are limited and to this date and age are unable to absorb the additional work load.

The House and Senate Committees on Veterans Affairs moved by the unfair and unwarranted situation being confronted by many needy veterans in Puerto Rico responded in a sensible and responsible fashion, requesting from the VA a comprehensive plan to remedy the deficiencies of the VA health care system on the Island. The Committees "consider it imperative that the VA take immediate steps to develop a comprehensive plan for providing such care and, to the extent that new construction is involved, prepare the needed project or projects for inclusion in the President's budget."

Mr. Chairman, the Committee's language above cited which is part of the Joint Explanatory Statement on the passage of PL 97-251, clearly captures the congressional intent on this matter. In addition, the congressional mandate that gave way to the VA report which is the subject of this hearing is also clear and very specific. Notwithstanding these facts and the urgent need to develop a definite course of action leading to the offering by the VA of adequate medical attention to every ailing eligible veteran in Puerto Rico, the VA presented a plan which "is not a recommendation, " "does not necessarily contain the views of the VA or the Administration" and which is not "a request for funding or for any other legislative action." Mr. Chairman, I am deeply disappointed and concerned.

The VA, disregarding the suffering of many men and women in Puerto Rico who are receiving inadequate medical attention disclaims responsibility for this study which was prepared by a selected group of highly qualified and experienced VA personnel. How much longer will the health care needs of the veterans in Puerto Rico fall victim to the abdication of responsibility by those who have that responsibility? Now, the VA is not only reluctant to recommend a remedial course of action for the VA health care system in Puerto Rico but it also fails to endorse the assessment of health care needs included in the Report which are nothing more than a reconfirmation of previous findings by the VA.

To say the least, it is only fair play that the veterans in Puerto Rico should receive the same quality of medical attention accorded to veterans in the U.S. mainland. Their efforts and sacrifices on behalf of our democracy and freedom were no different. More than 270,000 Puerto Ricans have served in the Armed Forces since 1917. Thousands of Puerto Ricans have died or have been wounded in U.S. wars. Their deeds were highlighted during the Korean War where the death and casualty rates among Puerto Ricans would rank us third among all states and territories, in proportion to our population. Their human contributions surpass any possible retribution and we Puerto Ricans, as American citizens, are always willing to serve gallantly and to prove our loyalty to the United States. Our

Nation has endured thanks to men like these and proper medical attention is the least a good soldier deserves.

I will not go into the specifics of the Report for I believe it is academic to do so before a definite stance on this matter is taken by the VA. Nevertheless, I would like to point out that I support the extension of the existing contract authority to the VA until such time a new program is implemented which will permit the VA to provide this care.

In addition, given the undisputed reality portrayed by numerous studies including those prepared by VA personnel that additional facilities must be placed at the disposal of the VA Center in Puerto Rico to enable it to fully carry out its responsibilities on the Island, we must focus on construction alternatives early on in this Congress if quality health care is to be available for every needy eligible veteran in Puerto Rico by the end of this decade.

I urge this Subcommittee to use its wisdom in securing proper medical attention to our veterans in Puerto Rico not only for humanitarian reasons but also because these brave and loyal servants have rightfully earned it.

PREPARED STATEMENT OF HON. RON DE LUGO, A DELEGATE IN CONGRESS FROM THE VIRGIN ISLANDS

Mr. Chairman, I would like to thank you and the members of your Subcommittee for this opportunity to testify, on behalf of the health care needs of veterans in Puerto Rico and the U.S. Virgin Islands. I would also like to thank you for your statement on January 27, 1983 that states in part and I quote "The VA was to deliver this report on December 1, 1982, however it arrived on January 21, 1983. The transmittal letter and executive summary tell us that the contents are not necessarily the views of the agency or of the Administration consequently to congressional directive, the report is rendered legislatively unacceptable and useless."

Useless it seems, also Mr. Chairman, to the many Veterans of the U.S. Virgin Islands for the report paints an even gloomier picture for health care for Virgin Islands veterans than the study submitted to Congress on March 10, 1981. I am disappointed that this report, as did the previous report, glances over the problems of veterans in the U.S. Virgin Islands. We have fought in no fewer wars that our mainland counterparts yet, we continue to be treated like second class veterans. And, to add insult to injury, our problems were not even extensively analyzed.

For example, on page 2 of the report it states that prior to finalizing the report, the task force discussed their findings and recommendations with the personnel in the San Juan V.A.M.C. and with Representatives of the Puerto Rico and Virgin Islands Governments, the San Juan Veterans Administration Medical Center academic affiliates, and members of local service organizations. (A list of the contracts is provided in appendix B) however appendix B has no contact listed from the Virgin Islands.

Page 10 states and I quote: "The needs of the Virgin Islands Veterans are not necessarily met when the needs of Puerto Rican Veterans are met. The two are separated by 60 miles of water, and although most inpatient and outpatient care for Virgin Islands veterans is provided at the San Juan Veterans Administration Medical Center, there does need to be some arrangement to assure that health problems which would be severely exacerbated by travel could be treated in the Virgin Islands. In those subject areas where the Virgin Islands can be addressed separately, specific recommendations will be stated."

But again, Mr. Chairman, no recommendations were made for the U.S. Virgin Islands. Mr. Chairman these are but a new examples of the complete inadequacy of this report as it pertains to health care for U.S. Virgin Islands Veterans.

Although there are three V.A. outpatient clinics in Puerto Rico and plans for another in Ponce, Puerto Rico, and recommendations to build a wing to the V.A.M.C. in Puerto Rico, there is no V.A. presence in the Virgin Islands. Veterans in the Virgin Islands must rely on the fee basis method to receive care under V.A. auspices. If a local physical or facility is not capable of providing adequate treatment for the veterans or if he prefers V.A. staff care, he travels to the San Juan V.A.M.C. for treatment.

The Phrase "He travels to San Juan" makes it sound simple and easy, but this is hardly the case. Long distance calls must be made: travel plans arranged; vouchers approved, and in many cases, disapproved; transportation must be arranged to and from airports; ambulances and only private ones at that—must be coordinated in advance.

Additionally, the U.S. Virgin Islands Veterans, once finally arrived at the V.A. center in Puerto Rico, encounters language and cultural problems. Logistics and communication add a burdensome dimension to the problems of the U.S. Virgin Islands veterans that veterans in Puerto Rico and the mainland do not have to deal with.

Mr. Chairman, I feel that the V.A. must improve on the situation in the U.S. Virgin Islands. Satellite outpatient clinics are generally restricted to standard metropolitan statistical areas of 150,000 or more inhabitants, and settings at least 40 miles from any existing V.A. health care facility. Our population and distances from Puerto Rico warrant such facilities by the V.A.'s own guidelines, and I would urge that outpatient clinics be established in the U.S. Virgin Islands.

I would like to propose the following:

(1) The position of medical are ombudsman should be established with the medical facility in Puerto Rico, and staffed by a Virgin Islander veteran to coordinate the arrangement of appointments, logistics and communications between that facility and veterans in the U.S. Virgin Islands.

(2) Veterans Administration benefit offices on St. Thomas and St. Croix must be established in the U.S. Virgin Islands.

Mr. Chairman, I have attached to my testimony, and would ask that it be made a part of the record, a copy of an article recently written in one of the islands papers, the Daily News, stating that the Virgin Islands was the number one recruiting area for the army for the whole of 1982. Mr. Chairman, these military men along with the many more now serving in the other branches of our armed services are the future veterans of the Virgin Islands, are they to encounter the same second class status when they are discharged as our veterans are now?

Mr. Chairman, in your statement of January 27, 1983, you decried the V.A.'s continuing refusal to resolve the health care problems encountered by veterans of Puerto Rico and the U.S. Virgin Islands. I am grateful for your concern for our veterans who for too have long been the victims of an appallingly insensitive bureaucracy. I thank you, Mr. Chairman, and I would ask for your continued support in rectifying this long-standing and very sad situation.

ARMY HITS PAYDIRT ON ST. THOMAS

(By Mossi La Rue)

St. Thomas' U.S. Army recruiting station has been named the top recruitment office in the Caribbean for fiscal year 1982, according to its director.

Sgt. Victor A. Berrios said his office outstripped the Army's recruitment goal for the island by 170 percent during the period from October 1981 to October 1982.

"Our mission was to put in 57 applicants and we put in 97, of which 35 were women," Berrios said.

Of the 97 who applied, 89 qualified as recruits.

There are 16 other U.S. Army recruiting stations in the Caribbean, 15 on Puerto Rico and one on St. Croix.

Berrios attributed his success to the credibility he has established with prospective recruits.

"People must trust you and [illegible] that you will tell them the truth," he said.

Of the 97 recruits, 89 [illegible] 31 percent, the passing score, on the Armed Services Vocational [illegible]

"This was a very good ratio in comparison to the states and Puerto Rico," he said, adding the figures reflected a high quality of recruits on St. Thomas.

Many of the recruits Berrios [illegible] were seeking job skills that would benefit them in the future, wanted [illegible] their college education with Army help or wanted a chance to see the [illegible]

"The majority of the people I enlisted selected the fields of communications and electronics, medical specialist, military intelligence, heavy aviation mechanics and administration," he said.

He said the large bonuses awarded those who complete training in critically short job areas propted some applicants to choose combat arms training.

"We had about four or five who went into this area because of the money and college benefits," he said.

Currently, the Army is offering a bonus of $5,000 to recruits who complete training in combat arms, and from $1,500 to $4,500 for those who complete training as air traffic controllers and air traffic radar operators.

To be eligible for the last two highly technical fields, an applicant must score 50 percent or higher on the aptitude test, Berrios said.

The St. Thomas office did not recruit a single officer candidate during the last fiscal year, he said, but getting such candidates tops the list of goals for this year's recruitment.

"We are going to push hard in the area of obtaining top-flight officer candidates this year," Berrios said, adding that he hopes to put an officer candidate in West Point during the year.

POSITION OF NATIONAL ASSOCIATION OF STATE VETERANS HOMES IN SUPPORT OF LEGISLATION TO AMEND TITLE 38 OF THE UNITED STATES CODE TO INCREASE THE PER DIEM RATE PAYABLE BY THE VETERANS ADMINISTRATION TO STATES PROVIDING DOMICILIARY, NURSING HOME AND HOSPITAL CARE TO VETERANS IN STATE HOMES

H.R. 103

HOUSE COMMITTEE VETERANS AFFAIRS
SUB-COMMITTEE, HOSPITALS AND HEALTH CARE
WEDNESDAY, FEBRUARY 16, 1983

Veterans Administration estimates of the "projected age of veterans in civil life, "The Aging Veteran - Present and Future Medical Needs" (Office of Comptroller, Veterans Administration, September 1, 1977) indicates that in 1985 16.7% of the veterans in the country will be over 65 years of age; 24.7% in 1990, 28.5% in 1995; and 29% in the year 2,000. Veterans Administration estimates dated September 30, 1982 cite a total of 28,522,000 living veterans of whom the largest group is 11,368,000 World War II veterans. The median age of the World War II group is estimated by the Veterans Administration to be 61.6 years. In September, 1981, correspondence with the Legislative Chairman, National Association of State Veterans Homes, the then Administrator of Veterans Affairs, acknowledged: ...It has long been recognized that the State Home Program is a high-quality, cost-efficient alternative to the provision of extended care in facilities of the Veterans Administration and the Veterans Administration anticipates continued growth in this program to help meet the future demands for extended care of the aging veteran population... However, many states are finding that the ravages of recession, inflation and unemployment are eroding their ability to continue subsidizing the ever increasing cost of health care within State Veterans Homes without an increase in the sharing of these costs by the Veterans Administration.

From 1888 to 1939, the contribution of the Federal Government to States for operation of State Veterans Homes was one of assistance in providing domiciliary care. However, the 1939 amendment to the basic statute permitted federal-aid programs on a per annum basis where hospital care and treatment was furnished in State Veterans Homes. The per diem payment for Hospital and Domiciliary care was initiated in 1960 and extended to State Veterans Homes providing nursing home care in 1964.

H.R. 103 does not depart from this traditional method of per diem payments to states, but does include a mechanism for mandatory reporting every two years of the appropriate rates for payment to State Homes by the Veterans Administration.

A partnership has existed between the various states and the Federal Government for almost a century to provide care to veterans. If we review the debates on the original Act of August 27, 1888, we find that this initial statute for monetary allowances to State Veterans Homes was, in effect, an invitation to the states to share the burden of domiciliary care for veterans with the Federal Government. As was stated in the Senate Committee on Military Affairs Report, S. 2115, at that time: "We propose simply to admit into State Homes For Disabled Soldiers upon the same terms on which they are now admitted to national homes." An exhaustive review of this whole relationship is contained in Report No. 1377 of the House of Representatives, 90th Congress, Second Session. We respectfully submit that this impartial, detailed study clearly establishes a partnership between State and Federal Governments in State Veterans Home operations. As a matter of fact, the report states, "It seems quite plain to your Committee that a portion of this burden, yea, the greater part of it should be borne by the Federal Government." However, the recent history of this partnership has found the Veterans Administration contributing a smaller and smaller percentage of the cost of providing care for a veteran in a State Veterans

The FY 1982 data furnished by the Veterans Administration shows the sharing of State Home costs as follows:

STATE HOME COST AND VETERANS ADMINISTRATION SHARING

	State Home Cost	V.A. Per Diem Payment	V.A. Percentage of Cost
Domiciliary Care	$ 31.36	$ 6.35	20.2%
Nursing Home Care	55.64	12.10	21.7%
Hospital Care	122.20	13.25	10.8%
Per Cent of Total Cost			20.3%

It is evident from the foregoing that the Veterans Administration is providing a small share of the cost of health care services for veterans in State Veterans Homes.

Despite the help which the Congress has always given us with per diem legislation, the Veterans Administration's share of State Home costs with some fluctuations continues to diminish. For example, if we consider the total cost sharing in all levels of care provided, we find the following:

HISTORICAL SHARING OF STATE HOME COSTS

	Share of Total Cost By Other Sources	VA Share of Total Cost
FY 1970	64.7%	35.3%
FY 1971	68.1%	31.9%
FY 1972	70.0%	30.0%
FY 1973	72.4%	27.6%
FY 1974	69.7%	30.3%
FY 1975	72.3%	27.7%
FY 1976	70.9%	29.1%
Transitional Quarter (7/1 - 9/30/76	66.8%	33.2%
FY 1977 10-1-76 9-30-77)	68.9%	31.1%
FY 1978	71.9%	28.1%
FY 1979	73.4%	26.6%
FY 1980	76.6%	23.4%
FY 1981	78.0%	22.0%
FY 1982	79.7%	20.3%

(Source: Extended Care Service, Department of Medicine and Surgery, Veterans Administration)

Fiscal year 1970 was selected to begin this table because enactment of Public Laws 91-178, 93-82, 94-417 and 96-151 all affected per diem payments made by the

Veterans Administration. PL 94-417 had the effect of raising the level of Veterans Administration support to near FY 1970 levels during the transitional quarter. However, increased Veterans Administration funding, relatively small though it was, did not maintain appropriate funding levels due to inflationary trends.

The per diem increase effective October 1, 1980, brought little relief as the cost spiral continued to rise due to double digit inflation. Because of the inflationary trend over the past few years, particularly within the health care field; because of Veterans Administration per diem rates being fixed under present law without a mechanism for a systematic review; and because of the revision of prescribed formal standards of care by the Veterans Administration and the states' endeavor to meet such standards, one notes a continuing percentage decline in Veterans Administration participation of costs within the State Home Program. FY 1979 through FY 1982 is a picture of the lowest Veterans Administration cost sharing in the State Home Program since FY 1970.

H.R. 103 would return Veterans Administration participation in veterans' care provided in State Homes to approximately 28% of the cost of that care. In addition, the Bill contains a mechanism for review every two years of the appropriate rates for payment. The Congress would continue to determine and approve the per diem level of funding for State Veterans Homes. The mandatory report provision would allow the National Association of State Veterans Homes the opportunity for continued dialogue with your Committee pertinent to the per diem rates being paid.

Within the Veterans Administration operated Nursing Care units, the 2,347,023 days of nursing care provided by State Veterans Homes, FY 1982, would have cost the Veterans Administration $206,021,678.00 (The Summary of Medical Programs, September, 1982, Veterans Administration, Washington, D.C.). State Veterans Homes were paid only a total of $28,298,978.00 for these services. In FY 1982, the forty-eight State Veterans Homes in 34 states and the District of Columbia provided a total of 4,198,873 days of care for all levels of care and were reimbursed only $41,616,923.00.

When one compares the cost of care in Veterans Administration facilities and in State Veterans Homes and then considers the present per diem reimbursement payments, the need for the increase provided by H.R. 103 is extremely clear. For example, Veterans Administration statistics from The Summary of Medical Programs, September, 1982, Veterans Administration, show per diem costs as follows:

COST COMPARISON CHART

DOMICILIARY CARE	Average Daily Cost	Veterans Administration Per Diem Rates for State Homes
V.A. domiciliary member	$34.70	
State Veteran Home domiciliary member	$31.36	$ 6.35
NURSING HOME CARE		
V.A. Nursing Home care patient	$87.78	
V.A. Contract Nursing Home care patient (cost to V.A.)	$46.21	
State Veterans Home Nursing Home care patient	$55.64	$12.10

HOSPITAL CARE

V.A. Hospital Patient (Intermediate Care)	$91.35	
State Veterans Home Hospital	$122.30	$13.25

The foregoing table clearly demonstrates that when a veteran is provided health care services in a State Veterans Home, that Home almost always does the job at a lesser cost than the Veterans Administration. It is the least costly alternative the Veterans Administration has to provide long term health care services for the nation's elderly veterans and will continue to be so after the passage of H.R. 103.

Regardless of basis of comparison -- statistical, cost or both -- we believe that State Veterans Homes have a case for passage of H.R. 103. Yet, we would be entirely remiss if we stopped with only statistics and costs. Again, may we respectfully submit that the quality of care given in State Veterans Homes to the veterans whom we are privileged to serve is at a level which we can be proud. True, some of our Homes are old and do not have the privacy we are now striving for. Some of us are continually fighting for new equipment and furnishings. Others among us are more affluent. Many Homes are striving to meet the formal standards of care promulgated by the Veterans Administration which were revised in FY 1979. The Department of Medicine and Surgery has already transmitted to State Veterans Homes a draft proposing further revision of Nursing Home Care Standards, and advising of their intent to revise the standards for Domiciliary and Hospital care. The implementation of such standards will undoubtedly result in increased costs to the states.

In furthering our thesis that we provide a quality of care for our veterans and such care is deemed cost-effective, may we refer to two sources: House Committee

Print No. 36, June 7, 1977, on Health Care for American Veterans by the National Academy of Sciences, National Research Council and to General Accounting Office Report on State Veterans Homes dated October 22, 1982. We are aware these reports are controversial in terms of their many findings and recommendations. However, we doubt that there will be any argument on those recommendations which encourage: 1) The Veterans Administration to explore the possibility of enlarging the states' role in providing long-term care to veterans and 2) State Homes are a cost-effective alternative to providing care in Veterans Administration facilities. This latter statement of support was again reiterated in the G.A.O./HRD-82-114 - "Veterans Administration should consider less costly alternatives before constructing new nursing homes". Regardless of the controversial aspects of these reports, it seems to us that the recommendations are a decided compliment to the quality of care we render and the cost-effectiveness of the State Home Program.

There is this huge body of World War II veterans, the largest single group this country has ever known, who are reaching an age at which increasing demands will be made on every type of Veterans Administration and State Veterans Home facilities during the next ten years. It will be most difficult, if not impossible, for most of the states to meet these demands without increased per diem payments by Veterans Administration.

The National Association of State Veterans Homes encourages your utmost consideration and enactment of H.R. 103.

Jack J Dack

Jack J. Dack, Chairman
Legislative Committee
National Association of
State Veterans Homes
Commandant, Iowa Veterans Home
Marshalltown, Iowa 50158

TESTIMONY OF GABRIEL P. BRINSKY

AMVETS NATIONAL SERVICE & LEGISLATIVE DIRECTOR

AMVETS feel privileged to be able to appear before this distinguished Subcommittee to setforth its views regarding HR 103 which would amend Title 38 U.S.C., to increase the per diem rate payable by the Veterans Administration to states providing domiciliary, nursing homes, and hospital care to veterans in state homes.

The very capable organization of the National Association of State Veterans Homes has furnished this Subcommittee with the necessary statistical data to support its position. I will not impose ypon you by repeating this information. Our purpose is to express our complete agreement with the proposed legislation, HR 103. I request that my more detailed statement be incorporated with the records.

AMVETS feels that in appearing here we have a sympathetic ear. For I recall that when the National Commander of AMVETS appeared before the full Committee last year to present the AMVETS legislative goals, the distinguished Chairman commented about his interest in this particular area.

Last December AMVETS testified before this Subcommittee on the VA funding and construction program of its hospitals. At that time we commented, even though peripheral to the matter being considered by the Committee, on the role being played by the State Veterans Homes. AMVETS has always taken the position that they are an indispensable part in the overall program of health care to our veterans. The 34 States and the District of Columbia which furnish 48 State Veterans Homes providing domiciliary, nursing home or hospital care in their facilities, provide a vital and important link in the administration of a program that should be shared by both federal and state. The Veterans Administration relationship to these homes is established either by per diem program which assist the states in providing care to eligible veterans or by the program which provides assistance with the funding of construction of state veterans facilities.

The bill under consideration provides an increase in the per diem rates. There has not been an adjustment in the rates for three years while the inflation process continued to extract its toll. Obviously, if we expect the states to participate in this program it will be necessary for some assistance from the Federal Government. For failure to do so, could mean a lesser role for the states in the participating partnership.

We are firmly convinced that the Federal Government should encourage the assistance of states to provide these facilities for the veterans who have service. We believe that the states should feel that it is a privilege to so participate. And we believe that the Federal Government should assist them in performing this function by furnishing the necessary financial support without which aid the states could not carry on this important mission which they so desire to perform.

We urgently urge the enactment of HR 103.

HR 103 would amend Title 38, United States Code, to increase the per diem rate payable by the Veterans Administration to states providing domiciliary, nursing home, and hospital care to veterans in State homes. It would also require that the Administrator of Veterans Affairs submit a report every two years to the Committee on Veterans Affairs of the Senate and the House of Representatives on the appropriate rates for payment under Subsection (A) of the proposed bill.

The National Association of State Veterans Homes estimate that the annual increase of cost under HR 103 would be less than 17 million for all three levels of care if they were implemented by Fiscal Year 1984.

Under the Bill, Section 641 would be amended to provide substituting $9.50 for $6.35; $16.50 for $12.10; and $18.25 for $13.25, respectively. These per diem rates to be paid for domiciliary, nursing home and hospital care, are below the increase in the consumer price index of 31 percent since 1979. During the same period the cost of delivery of medical care has increased approximately by 18 percent per year.

It is obvious that the proposed increases are realistic and conservative. But there are other factors to be considered.

We must come to grips with the realization that the projected veteran population of 65 years and over is on an ever increasing path and will reach its maximum in less than 20 years. This translates into the need for more health care facilities.

It is accepted that in less than 10 years from now, 2 out of every 3 males in the United States over the age 65 will be a veteran. It is projected that in less than 20 years there will be more than 8 million veterans and almost one-third of the veteran population will be over 65 years of age. As we look at the resources available specifically for veterans, there are 241,472 national nursing home beds as compared to 7,571 VA nursing home beds. Considering that there are 30 million veterans, approximately one-eighth of our total population are veterans. Yet, roughly there is only one nursing home bed for every 3 to 4 thousand veterans.

The Administrator of Veterans Affairs in testifying before the Senate Committee at his confirmation hearing pledged among other things to maintain the integrity of the V.A. health care and benefits system. He promised to meet the increasing medical care needs of the aging veteran constituency. To do so, the answer is not to be found in the private sector.

The availability of beds to take care of our aging veterans must be considered in the context of their location. The National Nursing Homes have their largest facilities in the North Central and Southern Regions. The fact that there are more than 30 states providing state soldier homes totaling 48 such facilities scattered throughout the country should be an assuaging factor.

The Veterans Administration has projected a construction program of 31 nursing home care centers beginning in 1982 through 1986. While it is evident that the need for these facilities is impelling., it is not certain because of fiscal restraints whether they will reach fruition. This, even though approximately 45 percent of all veterans in the VA medical centers are more than 55 years of age.

The 1977 Report of the National Academy of Sciences entitled "Health Care for American Veterans" acknowledged that the state homes were cost-effective and we agree. While we are in disagreement as to many of the findings by the National Academy of Sciences, which went beyond the mandate of the Congress as to the purpose of its studies, we are in complete agreement that the state veterans homes are a decided complement to the quality of care and cost-effectiveness to the health care program.

In conclusion, we would like to observe that the contribution made by the State Veterans Homes which maintain an average daily patient census of more than 10,000 in their nursing homes, domiciliary and hospitals, may be a limited contribution viewed in terms of the overall veteran population. Yet, it is an extremely important element of the VA Health-Care Program. In these times of fiscal austerity, it provides a resource which takes on new dimensions viewed in the terms of the limited facilities and funding available to the Federal Government.

In conclusion, we are in complete accord with the proposal of HR 103 to have the Administrator of Veterans Affairs review the reimbursement rates for possible adjustment and submit a report with his recommendations to Congress every two years. We believe that this is consistent with the concept that the overall responsibility of providing health care for our veterans is with the Veterans Administration. And, in doing so, it would be performing its function and fulfilling its responsibility.

STATEMENT OF
STEPHEN L. EDMISTON
ASSOCIATE DEPUTY NATIONAL LEGISLATIVE DIRECTOR
DISABLED AMERICAN VETERANS
BEFORE THE
SUBCOMMITTEE ON HOSPITALS AND HEALTH CARE
OF THE
HOUSE COMMITTEE ON VETERANS AFFAIRS
FEBRUARY 16, 1983

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

On behalf of the more than 740,000 members of the Disabled American Veterans, I wish to thank you and the members of the Subcommittee for inviting us here today to present our views on the legislative proposal (H.R. 103) presently pending before the Subcommittee that would directly impact on State Veterans Homes that provide domiciliary, nursing home and hospital care for many of this nation's veterans.

Additionally, your letter of invitation, Mr. Chairman, requested our views on the January 20, 1983 VA Study entitled, "A Plan for the Delivery of Health Care to Veterans in Puerto Rico and the Virgin Islands."

Before commenting on the pending legislative proposal and the VA Study, Mr. Chairman, I would like to take this opportunity to extend our appreciation to the Subcommittee for the passage of the "Veterans Administration Health Care Programs Improvement and Extension Act of 1982" (Public Law 97-251).

As you know, a provision of this law, signed by the President on September 8, 1982, extended, for four years (through September 30, 1986), the authorization of appropriations for matching fund grants to states for the construction of State Veterans Home Domiciliaries and Nursing Home Facilities. Additionally, the authorization provided for the expansion, remodeling or alteration of State Veterans Home Domiciliaries, Nursing Home and Hospital Facilities at a level of "such sums as may be necessary."

Another significant provision of Public Law 97-251 included State Veterans Home Facilities as a part of the medical community with which the Veterans Administration may enter agreements to make available certain VA educational facilities and programs.

Mr. Chairman, the DAV is indeed pleased with the provisions of the new law as they will go a long way toward improving and expanding the health care provided to veterans by State Veterans Homes nationwide.

H.R. 103

Introduced on January 3, 1983 by yourself, Mr. Chairman, H.R. 103 proposes, through appropriate amendment to Section 641(a), Title 38, United States Code, to increase the per diem rate payable by the Veterans Administration to states providing domiciliary, nursing home and hospital care for veterans in state homes.

As you know, current law (Section 641[a], 38 USC) authorizes the Veterans Administration to pay each state per diem rates of $6.35 for domiciliary care, $12.10 for nursing home care and $13.25 for hospital care provided to each eligible veteran, so long as these payments do not exceed one half of the cost of the care.

The increased per diem rates proposed by H.R. 103 would require the Administrator of Veterans Affairs to pay each eligible state "providing care to veterans" per diem rates of $9.50 for domiciliary care, $16.50 for nursing home care and $18.25 for hospital care. However, as specified in current law, H.R. 103 would not alter the requirement that the per diem payment not exceed one half the actual cost of care provided.

The amendments proposed by H.R. 103 would increase the VA's per diem reimbursement share of the total cost of care provided to veterans in state homes from 20.3% (Fiscal Year 1982) to approximately 28% of the cost of the care currently provided.

Additionally, the bill also requires the Veterans Administration to:

1. Submit a report every two years to the House and Senate Veterans Affairs Committees on the appropriate rates for payments under Subsection (a) of Section 641, 38 USC;
2. Provide the Committees with the first report by June 30, 1983.

This provision would enable the entire Congress to continue to determine the need for changes in the reimbursement rate and to increase, when necessary, the per diem level of funding provided for the care of eligible veterans in State Veterans Homes.

If enacted into law, the provisions of H.R. 103 would become effective on October 1, 1983.

* * *

Without question, Mr. Chairman, over the last decade the domiciliary, nursing home and hospital care provided to this nation's veterans by the State Veterans Homes has been invaluable in terms of offsetting, to some degree, the severe losses suffered by the VA's health care system.

During Fiscal Year 1981 the State Veterans Homes maintained an average daily census of 5,855 nursing home, 4,572 domiciliary and 881 hospital patients.

Recognizing the significant and the important role of the State Veterans Homes--in terms of the care provided to the rapidly aging veteran population and the cost effective use of federal taxpayer dollars that supplement this program--we believe it is wise, as well as prudent, for the United States Congress, within the present fiscal constraints, to increase the per diem payments for this necessary program.

Given the current economic crisis in our government today--one that may continue for sometime in the foreseeable future--programs such as the cost sharing of domiciliary, nursing home and hospital care for veterans in State Veterans Homes serve two important functions:

1. To assist the federal government in offsetting the high cost of providing health care to veterans; and
2. Provide an avenue for states to share in meeting our Nation's obligation to veterans.

For these reasons, Mr. Chairman, the delegates to our most recent National Convention adopted a resolution (Resolution No. 037) calling for the enactment of legislation to provide a more equitable cost sharing arrangement between the Veterans Administration and State Veterans Homes for the care provided to eligible veterans.

Therefore, we urge the Subcommittee to give serious and favorable consideration to H.R. 103, or similar legislation designed to provide an increase in the cost borne by the Veterans Administration for the care and treatment of veterans in State Veterans Homes.

VA Report, "A Plan for the Delivery of Health Care to Veterans in Puerto Rico and the Virgin Islands"

As you know, Mr. Chairman, Public Law 97-251 extended the VA's authority to provide contract health care services for veterans in Puerto Rico and the Virgin Islands until September 30, 1983.

Additionally, the House and Senate Veterans Affairs Committees directed the Veterans Administration to provide the Committees with a comprehensive study that would lead to a permanent resolution of the problem of providing cost effective medical care for the veterans of Puerto Rico and the Virgin Islands.

There is no doubt that this report, and more specifically the letter of transmittal and executive summary, received by the House and Senate Veterans Affairs Committees on January 20, 1983, renders the report legislatively unacceptable and useless. It is indeed unfortunate that the Office of Management and Budget has chosen a course of action that will, in effect, deny the veterans of Puerto Rico and the Virgin Islands needed health care benefits.

To further complicate the problem, the Administration's Fiscal Year 1984 budget request for the Veterans Administration failed to include any funding whatsoever in its construction program for a new facility in Puerto Rico.

Mr. Chairman, the DAV has no plan or recommendation to impart to the Subcommittee that would resolve this dilemma. Additionally, we have received no mandate from our national membership addressing the problem of health care for veterans in these territories.

However, we are mandated by our National Constitution and By-Laws, to support, protect and improve the various benefits provided to service-connected disabled veterans.

Therefore, the DAV would strongly urge this Subcommittee to insure that adequate funding is provided to Puerto Rico and the Virgin Islands for treatment of service-connected disabled veterans, regardless of whether this is provided on a fee for service basis or within the facilities of the Veterans Administration in Puerto Rico.

This concludes my testimony, Mr. Chairman. I again wish to thank you and the members of the Subcommittee for allowing us this opportunity to present our views on these important subjects.

Statement of

The American Legion

1608 K STREET, N. W.
WASHINGTON, D. C. 20006

by

PAUL S. EGAN, DEPUTY DIRECTOR
NATIONAL LEGISLATIVE COMMISSION
THE AMERICAN LEGION

and

JOHN F. SOMMER, JR., DEPUTY DIRECTOR
NATIONAL VETERANS AFFAIRS AND REHABILITATION COMMISSION
THE AMERICAN LEGION

before the

SUBCOMMITTEE ON HOSPITALS AND HEALTH CARE
COMMITTEE ON VETERANS AFFAIRS
UNITED STATES HOUSE OF REPRESENTATIVES

on

PER DIEM RATES FOR VETERANS
IN STATE VETERAN HOMES
and
CONTRACT CARE OF VETERANS
IN PUERTO RICO AND THE VIRGIN ISLANDS

FEBRUARY 16, 1983

STATEMENT OF JOHN F. SOMMER, JR., DEPUTY DIRECTOR
NATIONAL VETERANS AFFAIRS AND REHABILITATION COMMISSION
THE AMERICAN LEGION
BEFORE THE SUBCOMMITTEE ON HOSPITALS AND HEALTH CARE
COMMITTEE ON VETERANS AFFAIRS
HOUSE OF REPRESENTATIVES
February 16, 1983

Mr. Chairman and Members of the Subcommittee:

The American Legion is appreciative of this opportunity to appear before the Subcommittee to express its views on a legislative proposal calling for an increase in the per diem rates payable by the Veterans Administration for the care of veterans in State Homes; and the VA study entitled "A Plan for the Delivery of Health Care to Veterans in Puerto Rico and the Virgin Islands."

The American Legion has enjoyed a long association with those individuals responsible for the administration and operation of State Veterans Homes, and we applaud them for the excellent manner in which they provide domiciliary, nursing home and hospital care to disabled veterans. The services provided by the State Homes have reduced the burden that otherwise would have been borne by the Veterans Administration, and when considering the current efforts to reduce Federal spending, the role of the State Homes becomes even more significant.

The legislation under consideration today, H.R. 103, would increase the per diem rates payable by the Veterans Administration to the States from $6.35 to $9.50 for domiciliary care; $12.10 to $16.50 for nursing home care; and $13.25 to $18.25 for hospital care.

These per diem rates were last increased under authority of PL 96-151. The law included an effective date of January 1, 1980, and a proviso that with respect to Fiscal Year 1980, the increase would take effect only to such extent and in such amounts as specifically provided for such purpose in appropriation Acts. No funds were appropriated during Fiscal Year 1980 so the increase actually took effect October 1, 1980.

The American Legion feels that the immediate proposed increase in per diem rates is both reasonable and fair, and we urge the Subcommittee's favorable action thereon.

H.R. 103 also contains a provision stating that the Administrator of Veterans Affairs shall submit a report every two years to the Committees on Veterans Affairs of the Senate and House of Representatives on the appropriate rates of the per diem payments to State Veterans Homes; the first such report to be submitted not later than June 30, 1983.

Resolution No. 144 (South Dakota), approved by the Delegates to the 1982 American Legion National Convention mandates this organization to support an annual review and revision of the rates of reimbursement by the Veterans Administration for the care provided veterans in State Veterans Homes.

Mr. Chairman, to further demonstrate The American Legion's interest and concern in the State Veterans Home Program, we have appended to this statement copies of Resolutions No. 74 (Colorado) and No. 451 (Minnesota), both of which were also approved by the 1982 National Convention. These resolutions, respectively, place the Legion in a position to support legislation which would permit States to receive Veterans Administration assistance for the acquistion and rehabilitation of certain facilities not currently owned by the States, for the establishment of State Homes; and to support the continued provision of adequate funds for the construction, remodeling and renovation of State Veterans Homes.

Mr. Chairman, The American Legion is pleased to respond to the VA study entitled "A Plan for the Delivery of Health Care to Veterans in Puerto Rico and the Virgin Islands."

The Legion has recognized, indentified, and attempted to deal with the problems that exist in the provision of health care to veterans in Puerto Rico for close to twenty years. Site visits have been conducted on three occasions, 1967, 1971, and 1978, by our Field Representatives and other American Legion officials, for the purpose of assessing the inherent problems of health care delivery to veterans, and reiterating the urgency of this situation to the Veterans Administration.

During an official trip to the Department of Puerto Rico, January 23-27, 1983, National Commander Al Keller, Jr. visited the VA Medical Center in San Juan and a contract facility at which veterans with psychiatric conditions were housed.

Commander Keller arrived at the Medical Center at 7:00 a.m. and observed at least 200 patients in the waiting room. The facility does not offically begin the work day until 8:00 a.m. The Commander was advised that a service-connected veteran may have to wait three to four hours merely to get a prescription filled. For a nonservice-connected veteran the wait could be as long as eight to ten hours for a prescription only. In his conversations with patients, Commander Keller did find that the veterans were quite satisfied with the care they were receiving as well as with the food they were served and the dedication of the medical center personnel.

The Commander observed that the contract facility was extremely crowded and it was his feeling that it lacked the physical activities and occupational therapy needed to keep the patients active and to assist in their rehabilitation.

As a result of the overcrowded conditions and the problems that are occuring on a daily basis at the VA Medical Center, Commander Keller has instructed staff to schedule another site visit to the San Juan facility. A Legion representative will travel to Puerto Rico in the near future to further observe and assess the situation, and, Mr. Chairman, we will be pleased to share our findings with the Subcommittee.

The VA study describes the foregoing problems, plus a myriad of others, to include critical health personnel shortages in both Puerto Rico and the Virgin Islands, difficulties in management of contract and fee basis services, lack of military hospitals with which to share space, higher than normal VA facility utilization rate, etc. There is a great dependence on the ability of the private sector to furnish contract inpatient and fee basis outpatient treatment to veterans because of the limited ability of the VA Medical Center and Outpatient Clinic in San Juan and the Outpatient Clinic in Mayaguez to service the health care needs of the veterans residing in Puerto Rico and the Virgin Islands. Unfortunately, VA has little control over the quality of care provided in the contract facilities. The VA report states that the contract psychiatric facilities are providing custodial care with minimal treatment, and the living conditions are below the standards available at the VA Medical Center. Other problems include inadequate psychotherapy in the largest contract facility, inappropriate hospitalization of some veterans, psychotropic drugs are prescribed too frequently, adequate clincial, occupational and recreational therapy is not being provided, and the physical environment does not meet minimal privacy and some sanitation standards.

The VA Medical Center in San Juan has no nursing care beds. There are thirteen non-VA nursing homes in Puerto Rico, with a bed capacity of 987, most of which are in the San Juan area. It is reported that the quality of care provided in all but a few of these nursing homes is substantially below VA standards.

The VA Task Force that provided the Department of Medicine and Surgery with the input necessary to prepare the report, developed guidelines to provide direction during the preparation of recommendations necessary to accomplish a comprehensive plan for providing appropriate and cost-effective health care to the veterans in Puerto Rico and the Virgin Islands. The guidelines are as follows:

1. To the extent practicable, all VA health care services (inpatient, outpatient, and nursing home care) in Puerto Rico should be provided in VA operated facilities.
2. The present utilization of health care provided under VA auspices is currently the best available indication of need.
3. A veteran population of 130,000 in Puerto Rico, based on 1980 census information, will be used for planning.
4. The Medical District Initiated Program Planning process and methodologies should be adhered to as closely as possible.
5. There is no potential for sharing arrangements for inpatient, outpatient, or nursing home care with any of the branches of the military.

The recommendations contained in the report are as follows:

Inpatient Hospital

Realign existing and construct new space in the VAMC to provide all inpatient bed needs, including those which are currently met through the contract program. This would require an additional 208 beds for a total of 900 beds, with 271 in medicine, 10 in dialysis, 20 in spinal cord injury, 117 in surgery, and 482 in psychiatry. The ability to contract 2-3 beds in the Virgin Islands would be maintained.

Outpatient

Provide care at projected 1990 levels in the Mayaguez clinic, place a VA operated clinic in Ponce, expand the VAMC clinic, and limit the fee program to the Virgin Islands. This would require the capability to provide 254,000 visits in San Juan, 51,100 in Mayaguez, 30,000 in Ponce, and 7,800 in the Virgin Islands, for a total of 343,500.

Nursing Home

Construct a 120 bed nursing home facility and continue to contract beds for an average daily census of 50.

A series of construction options are listed in the report, and it is estimated that the construction costs range between $70 and 100 million depending on the concept selected and on the preliminary design that will be developed through the Advance Planning Fund process.

This may appear to be a substantial expenditure of funds, however it pales when the annual costs of contract and fee basis treatment are considered. The projected cost of inpatient care in contract facilities in Puerto Rico and the Virgin Islands for FY 1983 is $16.5 million, and the projected FY 83 outpatient fee basis cost is $3.8 million for a total of $20.3 million.

As stated at the outset, The American Legion has been sincerely concerned about the many problems that are being faced not only by the veterans seeking treatment in Puerto Rico, but also by the VA in attempting to provide health care services, and maintain control of the contract and fee basis programs.

The report that has been drafted by the Veterans Administration appears to the Legion to be a well thought out assessment of these problems, and a carefully considered plan to address them. It is also the belief of The American Legion that substantial cost savings would result from the increased

VA control of patient care. Our major concern now is what will happen to the plan.

If the recommendations contained in this plan for improvement of the delivery of health care to the veterans in Puerto Rico and the Virgin Islands are to be effected, efforts on the part of the Congress and the Veterans Administration are necessary. The American Legion would urge that the required actions be taken to implement these improvements, the need for which have been thoroughly documented, and which are long overdue.

Mr. Chairman, that concludes our statement.

SIXTY-FOURTH ANNUAL NATIONAL CONVENTION OF THE AMERICAN LEGION
CHICAGO, ILLINOIS, AUGUST 24, 25, 26, 1982

RESOLUTION: No. 74 (Colorado)

COMMITTEE: Veterans Affairs and Rehabilitation

SUBJECT: Support legislation to amend title 38, USC, section 5031, to permit States to receive VA assistance for the acquisition and rehabilitation of certain facilities

WHEREAS, under current law, those monies available to States for State Veterans Homes, are limited as follows:

- the construction of new domiciliary or nursing home buildings;
- the expansion, remodeling, or alteration of existing buildings; or
- the provision of initial equipment for any such buildings;

and

WHEREAS, this provision of law does not permit States to purchase either land or existing facilities not presently owned by the State; and

WHEREAS, this prohibition limits the participation of many States in this program, which might otherwise establish a State Veterans Nursing Home; and

WHEREAS, those States which have participated in this program have been able to provide a uniformly high level of long-term care for veterans in their State homes; and

WHEREAS, the establishment of State Veterans Nursing Homes has relieved the Federal Government of a substantial financial burden in providing such care for veterans; and

WHEREAS, The American Legion believes legislation should now be enacted to further establish a close-working, equal partnership between the Veterans Administration and such State homes; now, therefore, be it

RESOLVED, by The American Legion in National Convention assembled in Chicago, Illinois, August 24, 25, 26, 1982, that The American Legion shall support legislation to amend title 38, USC, section 5031, that would permit the use of Veterans Administration funds by States in the acquisition and rehabilitation of facilities not presently owned by such States, to be used as State Veterans Homes.

APPROVED WITH AMENDMENT

SIXTY-FOURTH ANNUAL NATIONAL CONVENTION OF THE AMERICAN LEGION
CHICAGO, ILLINOIS, AUGUST 24, 25, 26, 1982

RESOLUTION: No. 144 (South Dakota)

COMMITTEE: Veterans Affairs and Rehabilitation

SUBJECT: Support an annual review and revision of the rates of reimbursement by the Veterans Administration for the care provided veterans in State Veterans Homes

WHEREAS, State operated Veterans Homes in various States provide high quality care for disabled war veterans and their dependents; and

WHEREAS, the Federal Government, through the Veterans Administration, has traditionally, partially reimbursed State Veterans Homes for the care of veterans eligible for similar care in Veterans Administration facilities; and

WHEREAS, the schedule of reimbursement by the Federal Government has failed to keep up with the rate of inflation and the States have borne a disproportionate share of the cost; and

WHEREAS, if the Federal Government fails to provide its fair share of the cost of care for veterans in State Homes, it is not unlikely that States will be reluctant to provide care for the increasing numbers of elderly veterans; and

WHEREAS, the Veterans Administration has estimated the number of veterans requiring nursing home care is expected to increase steadily during the next twenty years, reaching over 270,000 by the year 2000, with over 54,000 (20%) being cared for through Veterans Administration, State and contract community nursing homes; and

WHEREAS, fair sharing of the cost of providing extended care for elderly and/or disabled veterans will encourage States to meet the needs of the aging war veterans; now, therefore, be it

RESOLVED, by The American Legion in National Convention assembled in Chicago, Illinois, August 24, 25, 26, 1982, that The American Legion support an annual review and revision of the rates of reimbursement by the Veterans Administration for the care provided veterans in State Veterans Homes.

APPROVED WITH AMENDMENT

SIXTY-FOURTH ANNUAL NATIONAL CONVENTION OF THE AMERICAN LEGION
CHICAGO, ILLINOIS, AUGUST 24, 25, 26, 1982

RESOLUTION: No. 451 (Minnesota)

COMMITTEE: Veterans Affairs and Rehabilitation

SUBJECT: Support legislation to provide adequate funds for the construction, remodeling and renovation of State Veterans Homes

WHEREAS, there are 45 State Veterans Homes located in 33 States, dedicated to the long-term care of disabled veterans who served honorably in the United States Armed Forces; and

WHEREAS, the various States have cooperated with the Veterans Administration to provide a uniformly high level of long-term care for U.S. veterans in these state homes; and

WHEREAS, an increasing number of World War II veterans are 65 years of age and older, dramatically increasing the number of veterans needing nursing home care or extended medical care; and

WHEREAS, the United States Government has provided matching construction funds for the construction, improvement and remodeling of nursing care facilities in State Veterans Homes; and

WHEREAS, most planning for modernization and/or expansion in State Home Projects is predicated on the availability of such matching funds; and

WHEREAS, any reduction of funds appropriated for these purposes will result in delaying or perhaps jeopardizing the construction of needed new modern facilities or remodeling of existing facilities for care of United States veterans; now, therefore, be it

RESOLVED, by The American Legion in National Convention assembled in Chicago, Illinois, August 24, 25, 26, 1982, that The American Legion support legislation to provide that adequate funding be appropriated for the construction, remodeling and renovating of State Veterans Homes.

APPROVED

VETERANS OF FOREIGN WARS OF THE UNITED STATES

OFFICE OF THE DIRECTOR

STATEMENT OF

JAMES N. MAGILL, SPECIAL ASSISTANT
NATIONAL LEGISLATIVE SERVICE
VETERANS OF FOREIGN WARS OF THE UNITED STATES

BEFORE THE

SUBCOMMITTEE ON HOSPITALS AND HEALTH CARE
COMMITTEE ON VETERANS' AFFAIRS
U.S. HOUSE OF REPRESENTATIVES

WITH RESPECT TO

LEGISLATION TO INCREASE PER DIEM RATES FOR STATE VETERAN HOMES
AND THE VETERANS ADMINISTRATION REPORT ON HEALTH CARE FOR
ELIGIBLE VETERANS IN PUERTO RICO AND THE VIRGIN ISLANDS

WASHINGTON, D. C. FEBRUARY 16, 1983

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

Mr. Chairman, thank you for the opportunity to appear before this Subcommittee to present the views of the Veterans of Foreign Wars with respect to HR 103, a bill, introduced by you, to increase the per diem rates payable by the Veterans Administration to States providing health care in State Veteran Homes, and on the delivery of health care to certain veterans in Puerto Rico and the Virgin Islands. We would also like to take this opportunity to congratulate you, Congressman Edgar, on being elected Chairman of this distinguished Subcommittee. This Subcommittee has demonstrated a sincere interest and concern for the health needs of our nation's veterans and we look forward to working with you in preserving and enhancing that care.

Mr. Chairman, the VFW in past testimony before this Subcommittee, has ex-

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pressed its concern for the care and well-being of our elderly veterans. The need for extended care by these veterans is increasing and will continue to do so well into the future. Inasmuch as a vast majority of the VA's nursing homes are filled to capacity, with most having long waiting lists for admission, it should not be difficult to recognize the important and crucial role State Veterans Homes play in providing quality care to our elderly veterans in a most cost-effective manner

Costs to States providing care to our elderly veterans has increased dramatically since the last per diem adjustment was granted in 1979. At the same time, because of escalating health care costs, the VA's percentage of participation to State Veterans Homes has dropped to 20.3 percent, its lowest level since FY 1970. HR 103, which also requires a much needed biennial review of the per diem rate schedule, would increase the VA 's percentage of participation closer to the Congressionally identified target of approximately 30 percent. In addition, it has been brought to our attention that various State Homes are closing beds because of financial reasons; a situation the Congress should not welcome. Certainly the Congress should want as many State Home beds in operation as possible, thus reducing the demand on an already over-taxed VA nursing home system. Finally, the proposed federal budget for FY 1984 calls for a reduction of $4.1 million in funding and the termination of 110 employees and 400 beds in the VA's domiciliary care program. Again, this only supports the justification to increase the per diem rates since this will put additional pressure on the State Homes to provide the care that will no longer be available at VA facilities

We therefore support passage of HR 103, providing for an increase in per

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diem reimbursement rates to State Veterans' Homes from $6.35 to $9.50 for domiciliary care, $12.10 to $16.50 for nursing home care, and $13.25 to $18.25 for hospital care. Although we prefer an annual review of these rates, we do support the provision for a biennial review of the per diem rate schedule. Resolution No. 637 entitled, "Support of State Veteran Homes," which was adopted by the voting delegates to our most recent National Convention, is appended to my statement for your review.

Mr. Chairman, last year the House and Senate Veterans' Affairs Committees directed the VA to prepare for them a study on the health care needs of veterans in Puerto Rico and the Virgin Islands. This report was to transmit a "specific, detailed proposal, including any construction project that the VA considers necessary, pertaining to health care for eligible veterans in Puerto Rico and the Virgin Islands and, most particulary, for meeting the health care needs of those veterans included in that population who have service-connected disabilities." This report was requested in order that a permanent solution may be developed to provide appropriate and cost-effective health care to veterans residing in those outlying locations. In the event new construction was involved, the Committees requested the VA to prepare the needed project or projects for inclusion in the President's budget. On January 21, 1983 the report, entitled, "A Plan for the Delivery of Health Care to Veterans in Puerto Rico and the Virgin Islands" was finally delivered to the Committees.

Mr. Chairman, the report itself is well written and substantiates arguments for positive action to alleviate the very undersirable situation existing in Puerto Rico. However, much to the dismay of the VFW, the executive summary of

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the report contains language which negates the whole intent of the two Veteran Affairs Committees in requesting the study. We find the report useless as a vehicle to correct the situation in Puerto Rico. By claiming the report does not necessarily represent the views of the VA nor does it constitute a request for funding or for any other legislative action, it is difficult to understand why the VA went so far as to suggest several construction alternatives. Once again Mr. Chairman, if the report does anything, it makes a very strong case for the VA to expand its facilities in Puerto Rico to allow for the VA to be less dependent on costly contracting with the private sector to provide for the health care needs of those veterans.

This concludes my statement. Again, the VFW appreciates the opportunity to come before this distinguished Subcommittee to present our views. I will be happy to respond to any questions you may have.

Resolution No. 637

SUPPORT OF STATE VETERANS HOMES

WHEREAS, state-operated Veterans' Homes in various states provide high quality care for disabled war veterans and their dependents; and

WHEREAS, the Federal Government, through the Veterans Administration, has traditionally partially reimbursed State Veterans' Home for the care of veterans eligible for similar care in Veterans Administration facilities; and

WHEREAS, the schedule of reimbursement by the Federal Government has failed to keep up with the rate of inflation and the states have borne a disproportionate share of the cost; and

WHEREAS, the Veterans Administration has estimated that the number of veterans requiring nursing home care is expected to increase steadily during the next twenty years, reaching over 270,000 by the year 2000 with over 54,000 (20%) being cared for through Veterans Administration, state and contract community nursing homes; and

WHEREAS, fair sharing of the cost of providing extended care for elderly and/or disabled veterans will encourage states to meet the needs of the aging war veterans; now, therefore

BE IT RESOLVED, by the 83rd National Convention of the Veterans of Foreign Wars of the United States, that we support an annual review and an equitable revision of the rates of reimbursement by the Veterans Administration for care provided veterans in State Veterans' Homes.

Adopted by the 83rd National Convention of the Veterans of Foreign Wars of the United States held in Los Angeles, California, August 13-19, 1982.

Resolution No. 637

STATEMENT OF
EVERETT ALVAREZ, JR.,
DEPUTY ADMINISTRATOR
VETERANS ADMINISTRATION
BEFORE THE
SUBCOMMITTEE ON HOSPITALS AND HEALTH CARE,
COMMITTEE ON VETERANS' AFFAIRS
HOUSE OF REPRESENTATIVES

FEBRUARY 16, 1983

Mr. Chairman and Members of the Subcommittee:

I am pleased to appear before this committee to discuss House Resolution 103, and to address the issue of the means by which the Veterans Administration provides health care to veterans in Puerto Rico and the Virgin Islands.

Title 38, Section 641 prescribes the per diem rate of payment by the Veterans Administration to state domiciliaries, nursing homes, and hospitals for the care of eligible veterans. H.R. 103 proposes to increase these per diem rates by 50% for domiciliary care, by 36% for nursing home care, and by 38% for hospital care. The bill would also require the VA to submit a biennial report to the Committees on Veterans' Affairs on the appropriate per diem rates for payments to state homes.

The State Home Program has long been recognized as an important auxiliary resource for meeting the extended care needs of our aging veteran population. Indeed, current VA planning anticipates continued growth in this program. The program began on August 27, 1888, with an act to provide aid to state or territorial homes. In 1939, the law was amended to extend assistance to hospital care provided in state homes. In 1964, Public Law 88-450 extended federal assistance to state homes to include nursing home care, and, for the first time, separate per diem payments were established for each level of care, namely: domiciliary, nursing home, and hospital care. In Fiscal Year 1982, VA per diem payments to state veterans homes for domiciliary care totaled approximately $10.4 million; for nursing home care those payments amounted to approximately $28.4 million; and for hospital care, $2.8 million. In addition, the estimated obligations for state construction grants for Fiscal Year 1984 are $28.8 million.

The Veterans Administration does not support enactment of H.R. 103. As noted, the VA already provides substantial sums -- $41.6 million in FY 1982 -- to the State Home Program through the per diem payment provision. In addition, the VA provides the funding for up to 65% of the cost of constructing such facilities. This bill would increase VA per diem payments at rates considerably greater than the rate of increase in VA health care costs, and would result in additional costs to the VA of $18 million in the first fiscal year and $95.7 million over a five-year period. We do not believe that such an increase is warranted at this time.

The bill would also require the VA to submit a biennial report to the congressional committees on the "appropriate rates" for per diem payments. The reporting requirement appears to be based on the premise that the VA should contribute a percentage of the costs of care under this program. We do not agree with this premise. It was never intended that per diem payments would result in the VA funding a certain percent of the cost of care of these facilities. We also do not agree with the imposition of yet another reporting requirement.

Mr. Chairman, I would like at this point to address the issue of providing for the health care needs of veterans in Puerto Rico and the Virgin Islands.

Over the past several years, there has been increasing congressional concern with VA health care delivery in Puerto Rico and the Virgin Islands. Much of this concern is related to the contract hospitalization program and fee for service outpatient program, and the extent to which they are or are not providing quality care to eligible veterans.

Because the demand for care by veterans in Puerto Rico consistently exceeds the capabilities of the San Juan VAMC and Mayaguez clinic, and because the Virgin Islands has no VA clinic or other VA facilities, contracting and fee-for-service have of necessity been the vehicle for providing care to many veterans in these islands.

Where the VA is otherwise unable to provide needed care, special contracting authority permits us to provide hospital care for nonservice-connected disabilities and such outpatient medical care as will obviate the need for hospital admission for veterans in Puerto Rico and the Virgin Islands.

At the urging of the Committees on Veterans' Affairs last August Agency officials prepared a comprehensive plan for providing appropriate and cost effective health care to these veterans. The purpose of the report, as requested, was to assist Congress to determine the need for extending the special contracting authority and a direction for providing care to these veterans in the future.

Several findings guided VA planners in their efforts to develop a comprehensive plan. The planners found that there were limited alternatives to VA medical care in Puerto Rico and the Virgin Islands, and that both the Commonwealth government and these veterans face severe economic problems. The findings also cite a near absence of nursing home beds, low quality of non-VA psychiatric care; difficulty in managing the extensive fee-for-service outpatient and contract inpatient programs; and problems with determining the number of veterans in Puerto Rico and the Virgin Islands. As a result of these findings, the planning task force developed the following guidelines:

1. To the extent practicable, all VA health care services (inpatient, outpatient, and nursing home care) in Puerto Rico should be provided in VA operated facilities.

2. The present utilization of health care provided under VA auspices is currently the best available indicator of need.

3. A veteran population of 130,000 in Puerto Rico, based on 1980 census information, would be used for planning.

4. The Medical District Initiated Program Planning (MEDIPP) process and methodologies should be adhered to as closely as possible.

5. There is no potential for sharing arrangements for inpatient, outpatient, or nursing home care with any of the branches of the military.

The planners decided that the following number and type of inpatient beds and outpatient visits represented the optimum mix for meeting the 1980 veteran needs:

Medicine	301
Surgery	117
Psychiatry	482

Inpatient nursing home beds: 120

Outpatient visits: 343,400

Additionally, it was anticipated that the VA would continue to contract for an average daily patient census of 50 with nursing homes in Puerto Rico and the Virgin Islands, and would support 7,800 fee-for-service outpatient visits in the Virgin Islands.

These changes in the system would terminate the extensive inpatient hospital contracting and the outpatient fee basis programs in Puerto Rico.

The recommendations of the study were based on projections of health care needs in 1990 and were designed to provide the veterans in Puerto Rico and the Virgin Islands with a system of care more equivalent to that provided veterans nationwide. Their recommendations were inter-related in that changes in the inpatient alternative would effect the outpatient and nursing home programs, changes in outpatient would effect inpatient and nursing home, and changes in nursing home would effect inpatient and outpatient.

For inpatient hospital care, the plan would require an additional 208 beds for a total of 900 beds, with 271 in medicine, 10 in dialysis, 20 in spinal cord injury, 117 in surgery, and 482 in psychiatry. This in turn would require a realignment of existing space as well as new construction.

For outpatient care, the plan calls for the provision of care at projected 1990 levels in the Mayaquez clinic, the placing of a VA clinic in Ponce, expansion of the VAMC clinic, and a limit on the fee program to the Virgin Islands. This would require the capability to provide 254,000 visits in San Juan; 51,100 in Mayaquez; 30,000 in Ponce; and 7,800 in the Virgin Islands, for a total of 343,500.

The plan for nursing home care envisions construction of a 120-bed nursing home facility while continuing to contract for beds at an average daily census of 50.

Regrettably, the complexity and timing of the Committees' request did not permit the recommendations of this plan to be considered as part of the FY 84 budget process. Absent from the plan is the vital role of carefully considering the appropriate balance of the needs of our veterans in Puerto Rico and the Virgin Islands in relation to the needs of our veterans in all other parts of the United States. In the final analysis, the report certainly provides us an assessment of the health care needs of Puerto Rico and the Virgin Islands. However, it neither analyzes nor sets forth how those needs could best be met in relation to the many other important, competing needs of veterans throughout our Country.

Accordingly, we are transmitting to the Speaker of the House a bill to provide for an extension for an additional three years--through September 30, 1986--of the Veterans Administration's present contract authority. This extension would enable the VA to consider the appropriate balance to be achieved in a manner and through a process that allows all of the needs of our veterans to be considered together and in relation to one another.

That concludes my statement, Mr. Chairman. I will be pleased to answer any questions you or members of the committee may have.

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